



# ***IOWA FUEL TAX INFORMATION***





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## Point of Taxation for Fuel

The point of taxation for fuel (except LPG, CNG, & LNG) in Iowa is the terminal rack or supplier level. All fuel leaving the pipeline distribution system must have the tax paid. Only dyed special fuel used for off-highway purposes and fuel exported outside of Iowa is sold tax-free.

## Fuel Categories

Tax is imposed on two categories of fuel:

- Motor fuel: gasoline, ethanol-blended gasoline, E85 gasoline, alcohol, and aviation gasoline
- Special fuel: diesel, aviation (jet) fuel, liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG) and biodiesel

Current Iowa fuel tax rates: <https://tax.iowa.gov/iowa-tax-fee-descriptions-and-rates#mvf>

## Ethanol Blended Gasoline

Ethanol blended gasoline is defined as motor fuel which has been blended with alcohol distilled from cereal grains, the end product containing at least 10 percent alcohol.

### Example:

To make a properly blended 8,000 gallons of ethanol blended gasoline, the blend requires:

7,200 gallons of gasoline + 800 gallons of alcohol = 8,000 gallons of ethanol blended gasoline

E10 gasoline is ethanol blended gasoline that contains a minimum percentage of between 10 percent and 14 percent by volume of ethanol.

E15 gasoline is ethanol blended gasoline that contains a minimum percentage of between 15 percent and 69 percent by volume of ethanol.

E85 gasoline is ethanol blended gasoline that contains a minimum percentage of between 70 percent and 99 percent by volume of ethanol.

## Biodiesel

"Biodiesel" means an oxygenated product derived from soybean oil, vegetable oil, or animal fats that can be used in diesel engines including aircraft. Biodiesel may be a blend with diesel fuel or it may be 100 percent soybean oil, vegetable oil, or animal fats. Any biodiesel product is taxed as a special fuel.

B11 or higher is a special fuel that contains a minimum percentage of 11 percent by volume of biodiesel.

## Types of Licenses

### Supplier

A person who:

- Acquires motor fuel or special fuel by pipeline or marine vessel from a state, territory, or possession of the United States or from a foreign country for storage at and distribution from a terminal and who is registered under 26 U.S.C. 4101 for tax-free transactions in gasoline or
- Produces alcohol or alcohol derivative substances in this state or acquires it by truck, railcar, or barge for storage at and distribution from a terminal or
- Produces or acquires biofuel or biodiesel for storage at and distribution from a terminal or
- Produces, manufactures, or refines motor fuel or special fuel in this state.

"Supplier" also includes a person who does not meet the jurisdictional connection to this state but voluntarily agrees to act as a supplier for purposes of collecting and reporting the motor fuel or special fuel tax.

Note: A retail dealer or wholesaler who merely blends alcohol with gasoline or biodiesel with diesel before the sale or distribution of the product or a terminal operator who merely handles, in a terminal, motor fuel, or special fuel consigned to the terminal operator does not qualify as a supplier.

### Importer

A person who imports untaxed motor fuel or non-dyed special fuel in bulk or transports loads into the state by truck, rail, or barge.

### Restrictive Supplier

A person not licensed as an importer but who imports untaxed motor fuel or non-dyed special fuel into this state in amounts of less than 4,000 gallons in tank wagons or in small tanks.

### Blender

A person who owns and blends alcohol with gasoline to produce ethanol blended gasoline at a non-terminal location. A blender is also a person who blends special fuel products at a non-terminal location where the tax has not been paid on all of the products blended.

Examples:

Gas + Alcohol = gasohol or ethanol blended gasoline

Diesel + Soy Oil = biodiesel

### **Exporter**

A person who acquires fuel in this state for export to another state. This person must be licensed in the state the fuel is exported to, so the tax can be paid to that state.

### **Eligible Purchaser**

A distributor of motor fuel or special fuel who elects to make delayed tax payments to a licensed supplier by EFT.

### **Eligible Purchaser End User**

An end user of special fuel who has purchased a minimum of 240,000 gallons of special fuel in each of the preceding two years who elects to make delayed payments to a licensed supplier by EFT.

### **Licensed compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG) dealer**

A person in the business of handling untaxed compressed natural gas, liquefied natural gas, or liquefied petroleum gas who delivers any part of the fuel into a fuel supply tank of any motor vehicle. A dealer may also fuel the dealer's own vehicles under this license.

### **Licensed compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG) user**

A person who dispenses compressed natural gas, liquefied natural gas, or liquefied petroleum gas for highway use, upon which the special fuel tax has not been previously paid, from fuel sources owned and controlled by the person into the fuel supply tank of a motor vehicle or commercial vehicle owned or controlled by the person.

### **Licensed compressed natural gas (CNG), liquefied natural gas, and liquefied petroleum gas (LPG) Consolidated**

A separate license is required for each location where CNG, LNG, or LPG is delivered into the fuel supply tank of a motor vehicle. For reporting purposes a licensee may file a separate return for each separately licensed location; or, if arrangements have been made with the Department, the licensee may file a consolidated return reporting all sales made at all locations for which a license is held. However, a consolidated return may not be used to combine dealer and user operations.

### **Storage Facility**

A motor fuel, alcohol, or special fuel storage and distribution facility (IRS registered terminal or non-terminal) which fuel is delivered into, stored within, withdrawn from or sold from. This includes ethanol plants and biodiesel plants. (see ethanol plant information beginning on [page 8](#) of this publication and biodiesel plant information beginning on [page 11](#))

### **Transportation (Common Carrier or Contract Carrier)**

A person involved in the movement of motor fuel or special fuel imported into the state, who is not the owner of the motor fuel or special fuel.

### **Environmental Protection Charge**

**NOTE: The EPC was repealed as of 12/31/2016. It should not be charged on transactions occurring 1/1/2017 and after.**

Petroleum deposited into certain non-exempt underground and some aboveground storage tanks are subject to the Environmental Protection Charge (EPC). Depositors must obtain an EPC permit before introducing petroleum into these tanks in Iowa. There is no charge for an EPC permit.

To learn more about the EPC, review the Environmental Protection Charge booklet: <https://tax.iowa.gov/environmental-protection-charge> (#78-544).

### **Reporting Taxable Gross Gallons, not Net**

The only method of determining gallons of any purchase or sale of motor fuel or special fuel and distillate fuel is on a gross volume basis. Iowa fuel tax computations are based on gross gallons, not net gallons.

A temperature-adjusted or other method may not be used except as it applies to liquefied petroleum gas and the sale or exchange of petroleum products between petroleum refineries.

### **Ethanol and Biodiesel Transactions in an IRS Gasoline/Diesel Terminal**

Iowa allows for the sale of ethanol from the ethanol storage of an Iowa licensed supplier in an IRS gasoline/diesel terminal to another Iowa licensed supplier within the terminal as a tax free transaction. The tax shall be paid by the licensed supplier when the invoiced gross gallonage of the alcohol or the alcohol part of the ethanol blended gasoline is withdrawn from a terminal for delivery in this state. This makes the licensed supplier responsible for the tax on both the alcohol and the gasoline portions of the ethanol blended gasoline and for the reporting and accounting of this fuel as ethanol blended gasoline on the supplier report.

Iowa allows for the sale of B100 or B99.9 from the B100 storage of an Iowa licensed supplier in an IRS gasoline/diesel terminal to another Iowa licensed supplier within the terminal as a tax free transaction. The purchasing Iowa licensed supplier will be responsible for collecting and remitting the Iowa fuel tax when the fuel is withdrawn from the terminal.

### **Fuel Imported Into Iowa**

Any fuel including denatured alcohol and B100 or B99.9 or imported into Iowa with destination of an IRS gasoline/diesel terminal (IRS gasoline terminal number on invoice or bill of lading) is not subject to Iowa fuel tax. The tax is due when withdrawn from the terminal.

Note: Manly Terminal LLC is not an IRS terminal.

Any fuel, except dyed diesel, but including denatured alcohol imported into Iowa with destination other than an IRS gasoline/diesel terminal, is subject to Iowa fuel tax. An importers license is the proper license to report and pay the Iowa fuel tax due. Tax is due when the shipment comes across state line. B100 may be exempt - refer to biodiesel plant section.

### **Obtaining a License Application**

Iowa Fuel Tax License Application: <https://tax.iowa.gov/form-types/motor-fuel-tax?combine=Fuel%20Tax%20License> (pdf)

## Motor Fuel and Special Fuel

### Who Collects and Remits the Tax?

For motor fuel and special fuel (except LPG, CNG, and LNG), the tax attaches when the fuel is "withdrawn from terminal." Withdrawn from terminal means physical movement from a supplier to a distributor or eligible end user or from an alcohol manufacturer to a non-terminal location, and includes an importer going out of state and obtaining fuel from a terminal and bringing the fuel into the state, and a restrictive supplier bringing fuel into the state even though not purchased directly from a terminal. Exchange of product by suppliers while in the distribution channel is not to be considered withdrawn from terminal.

The tax is payable to the Department by the supplier, restrictive supplier, importer, blender, or any other person who possesses taxable fuel upon which the tax has not been paid.

LPG, CNG, and LNG: These fuels are not taxed until the use is determined. Tax attaches to LPG, CNG, and LNG when:

- The LPG or LNG is placed in a fuel supply tank of a motor vehicle or
- The CNG is delivered into equipment for compressing the gas for subsequent delivery into the fuel supply tank of a motor vehicle

### Exemptions

Motor fuel or undyed special fuel, except LPG, CNG, or LNG, sold for export to a person holding a valid Iowa exporters license is exempt from the fuel tax. The fuel is considered sold for export only if the bill of lading or manifest indicates that the destination of the fuel withdrawn from the terminal is outside the state of Iowa. Dyed diesel fuel used for off-highway purposes is also exempt from fuel tax.

LPG, CNG, or LNG sold by dealers from highway storage may be sold tax free provided it is sold for one of the following uses:

- Reefer unit, provided there is no possible connection to the power source of the vehicle or
- Fuel supply tank of a non-highway vehicle or
- Carry out container.

When LPG, CNG, or LNG is sold from highway storage for any of the above purposes, an exemption certificate must be prepared and retained by the seller. The exemption certificate must include the date, seller's name and license number, invoice number, use of the fuel, type of vehicle or container, and the name, address, and signature of the purchaser.

All other sales must include the Iowa fuel tax.

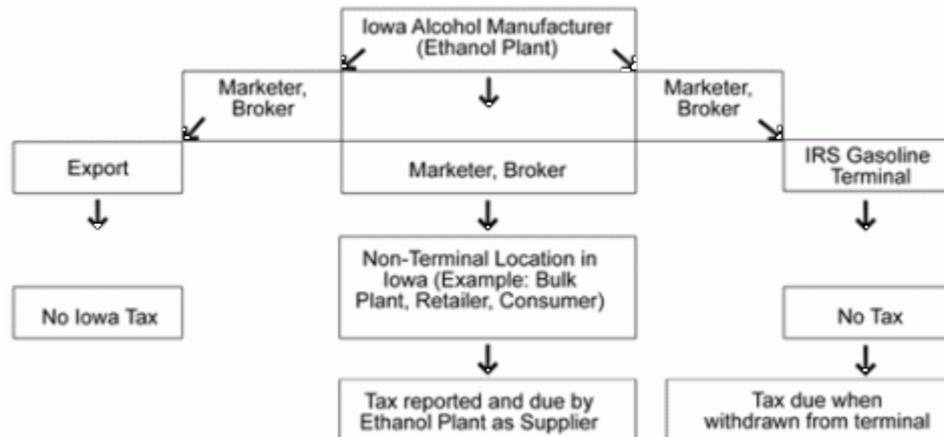
## Distribution Allowance

The tax computation for a supplier includes a distribution allowance of 1.6 percent of the motor fuel gallonage and 0.7 percent of the undyed special fuel gallonage removed from the terminal during the reporting period. The supplier should pass this allowance to the distributor or dealer.

The distributor purchasing the fuel from the supplier is entitled to 1.2 percent of the motor fuel distribution allowance. The distributor or dealer purchasing fuel from a supplier is entitled to 0.35 percent of the undyed special fuel distribution allowance. The distribution allowance does not apply to fuel exported. The distribution allowance is not available for importers, restrictive suppliers and blenders.

## Iowa Ethanol Plants

This chart below only covers the movement of alcohol from an Iowa ethanol plant to an IRS gasoline terminal, for export outside of Iowa or for sale in Iowa.



### **Sale for Export**

If an ethanol plant is selling for export out of Iowa, whether through a middleman or not, there is no Iowa fuel tax collected or due to state of Iowa. The out-of-state purchaser needs an Iowa exporters license.

### **Sale in Iowa to Non-Terminal Location**

If the middle scenario shown above exists, the ethanol plant is required to collect and pay Iowa fuel tax under a supplier license.

### **Sale for IRS Gasoline Terminal**

If an ethanol plant is selling ethanol bound for an IRS gasoline terminal, then no Iowa fuel tax is due at this point. The Iowa fuel tax is imposed when it is withdrawn from the IRS terminal. Persons with alcohol storage in the IRS terminal and those who own the alcohol in the IRS terminal up to and including withdrawal will be required to be registered as a storage facility and file with the Department.

If the middleman or marketer or broker has no ownership of the product when leaving the ethanol plant or later, they do not need a license if the ethanol plant is reporting all transactions properly. If the middleman or marketer or broker does take ownership of product, then two options are available:

1. No license needed if the ethanol plant is reporting all transactions with all detail properly.
2. If due to proprietary or other contractual arrangements, the ethanol plant does not know all detail to report, then the marketer must have a storage facility license and file a schedule of receipts of all loads of ethanol or E85 received and a schedule of disbursements for all loads of ethanol or E85 sold.

Other persons in the middle scenario above such as a bulk plant, jobber, retailer, or consumer who may later own this ethanol do not normally need a license or file returns or schedules since the Iowa fuel tax should have been charged and collected as required. However, if no Iowa fuel tax is charged and collected; they can be held liable for the tax.

### **The following Iowa fuel tax licenses are or may be required:**

- Storage facility license required for each location. Complete form 80-001: <https://tax.iowa.gov/form-types/motor-fuel-tax/?combine=Fuel%20Tax%20License> (pdf) License Application.
- Supplier license may also be required. Complete form 80-001: <https://tax.iowa.gov/form-types/motor-fuel-tax/?combine=Fuel%20Tax%20License> (pdf) License Application.
- Refund Permit — Ethanol plants typically purchase a denaturing product for the alcohol. Since this denaturing product is usually a fuel on which Iowa fuel tax was paid, they are entitled to file for a refund for this fuel tax paid. A refund permit is required before refunds can be issued. Complete form 80-005: <https://tax.iowa.gov/form-types/motor-fuel-tax/?combine=Refund%20Permit> (pdf) Refund Permit Application – Type of permit – Denaturing Alcohol (54).

**Other requirements for storage facility and supplier licenses:**

- Must report ALL fuel transactions electronically.
- Storage facility license must report ALL fuel transactions, both disbursements and receipts. Include receipts of fuel which become part of the ethanol sold.
- Supplier license for ethanol plants report only transactions where Iowa fuel tax is due.
- Ethanol plant is required to have either the state to which the fuel is being exported (delivery address, not billing address) or if delivered to an Iowa location, the IRS gasoline terminal code on each invoice; if neither of these requirements is met, Iowa fuel tax is due. Iowa fuel tax computations are based on gross gallons, not net gallons.

**An ethanol plant may also be a producer of E10, E15, or E85.**

They could either sell the E10, E15, or E85 acting like a wholesaler or sell as a retailer directly to the final consumer. Ethanol plants report these sales of E10, E15, and E85 on their supplier license and pay the appropriate Iowa fuel tax to the Department (fuel tax due on untaxed portion of the sale).

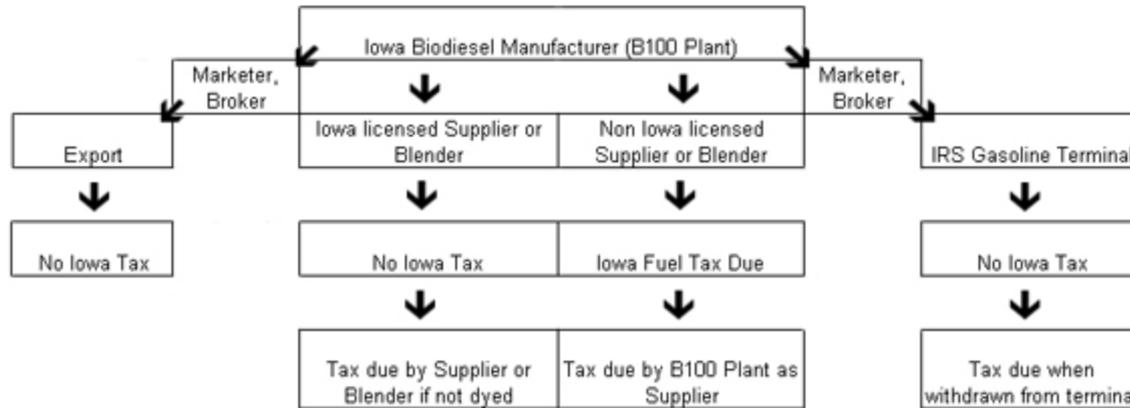
Ethanol plants should have purchased the gasoline portion (in addition to the denaturant portion) of the ethanol with Iowa fuel tax paid. If Iowa fuel tax paid on the gasoline portion was greater than the rate charged to the consumer, the ethanol plant would be entitled to a tax overpaid on blended fuel refund. Tax Overpaid or Underpaid on Blended Fuel (form 82-012), must be filed to claim this refund. This is separate from the denaturant refund.

If the ethanol plant also produces and sells E10, E15, or E85, their schedule of receipts should include all the fuel purchased to make the E10, E15, or E85.

Alcohol manufacturer (B) sells unfinished alcohol (no denaturant and not fuel ready) to another alcohol manufacturer (C) for further processing. C puts the alcohol somewhere in the middle of their process to further refine the alcohol, then later adds the denaturant to produce ethanol. B reports the alcohol sales under their storage facility license on a schedule of disbursements with product code 123 (alcohol). This is a nontaxable sale. C reports this alcohol under their storage facility license on schedule of receipts with product code 123 (alcohol). These are also nontaxable.

## Iowa Biodiesel Plants

This chart below only covers the movement of B100 from an Iowa biodiesel plant to an IRS gasoline/diesel terminal, for export outside of Iowa or for sale in Iowa.



Nonterminal Storage Facility license (714) required per Iowa Code section 452A.15 (3). This license requires monthly electronic filing of a schedule of disbursements (schedule code 15B) detailing all B100 or B99 sold. It also requires schedule of receipts (Schedule code 15A) of any fuel purchased which is blended with B100 or B99. Penalties for failure to file start at \$100 a month and increase by \$100 a month.

### Sale for Export

If a biodiesel plant is selling for export out of Iowa, whether through a middleman or not, no Iowa fuel tax collected or due to state of Iowa. The out-of-state purchaser must provide seller with copy of their Iowa exporters license (711). Out of state location must be on the bill of lading or invoice.

### Sale to IRS Gasoline/Diesel Terminal

If a biodiesel plant is selling B100 bound for an Iowa IRS gasoline/diesel terminal (IRS gasoline terminal number on invoice or bill of lading), then no Iowa fuel tax is due at this point. The Iowa fuel tax is imposed when it is withdrawn from the IRS terminal. Persons with biodiesel storage in the IRS terminal must be licensed as a supplier and file with the Department. Schedules filed should include an IRS terminal number in one of the destination fields.

### **Sale in Iowa to Non IRS Terminal Location**

If either two of the middle scenarios shown above exists, the biodiesel plant may be required to collect and pay Iowa fuel tax under a supplier license. If purchaser has an Iowa suppliers (704) or blenders (707) license, then no Iowa fuel tax due. Note: The person with the blender license can choose to have the plant charge the tax, instead of paying on their blender's license. If purchaser does not have either of these licenses, Iowa fuel tax due at diesel fuel tax rate.

If Iowa fuel tax is due, then biodiesel plant is required to have an Iowa supplier's license (704). Monthly electronic filing required. Report only those sales where Iowa fuel tax is due on this supplier's license.

### **Dyed biodiesel**

B100 or B99 which becomes dyed special fuel is exempt from Iowa fuel tax or subject to refund if Iowa fuel tax was already paid.

### **B100 or B99 imported into Iowa**

Iowa fuel tax is due on the B100 or B99 when it enters the state unless going to an IRS gasoline/diesel terminal (IRS terminal number on invoice or bill of lading) or being sold to an Iowa licensed blender or sold to an Iowa licensed supplier.

If sold to the licensed supplier or blender, they would be responsible for the tax. Tax is due when the shipment comes across the state line.

If the destination is IA when it's pulled from the out of state IRS terminal, then the supplier in the terminal should collect and pay the Iowa fuel tax. However if pulled from a NE terminal and the destination is NE, but the customer imports the fuel into Iowa, then Iowa fuel tax is due.

The license status of your customer can make a difference. If they are an Iowa licensed blender, they can choose to be the person responsible for the Iowa fuel tax on B100.

If the middleman or marketer or broker has no ownership of the product when leaving the biodiesel plant or later, they do not need a license if the biodiesel plant is reporting all transactions properly. If the middleman or marketer or broker does take ownership of product, then two options are available:

1. No license needed if the biodiesel plant is reporting all transactions with all detail properly.
2. If due to proprietary or other contractual arrangements, the biodiesel plant does not know all detail to report, then the marketer must have a storage facility license and file a schedule of receipts of all loads of diesel or biodiesel received and a schedule of disbursements for all loads of biodiesel sold.

Other persons (non suppliers and blenders) in the middle scenario above such as a bulk plant, jobber, retailer, or consumer who may later own this biodiesel do not normally need a license or file returns or schedules since the Iowa fuel tax should have been charged and collected as required. However, if no Iowa fuel tax is charged and collected; they can be held liable for the tax.

#### **The following Iowa fuel tax licenses are or may be required:**

- Storage facility license required for each location. Complete form 80-001:  
<https://tax.iowa.gov/sites/files/idr/forms1/Final%20IAFuelTaxLicenseApp%2880001%29.pdf>.
- Supplier license may also be required. Complete form 80-001:  
<https://tax.iowa.gov/sites/files/idr/forms1/Final%20IAFuelTaxLicenseApp%2880001%29.pdf> (pdf) License Application.

#### **Other requirements for storage facility and supplier licenses:**

- Must report ALL fuel transactions electronically.
- Storage facility license must report ALL fuel transactions, both disbursements and receipts. Include receipts of fuel which become part of the biodiesel sold.
- Supplier license for biodiesel plants report only transactions where Iowa fuel tax is due.
- Invoices - Biodiesel plant is required to have either the state to which the fuel is being exported (delivery address, not billing address) or if delivered to an Iowa location, the IRS gasoline/diesel terminal code on each invoice or if sold to a licensed supplier or blender at an Iowa location include their name and delivery address; if none of these requirements is met, Iowa fuel tax is due.

Iowa fuel tax paid on diesel blended with B100 for federal credit. Iowa fuel tax paid on this diesel is not subject to refund.

Note: Manly Terminal LLC is not an IRS registered gasoline terminal.

## Refunds

Refunds are allowable for the tax paid on motor fuel and undyed special fuel in the following situations:

### Agricultural Production

Farmers, ranchers, greenhouses, and other similar businesses using motor fuel or undyed special fuel in agricultural or livestock production.

### Federal Government

The United States, its agencies and instrumentalities. This includes the Red Cross, Project Head Start, Federal Land Banks and Federal Land Bank Associations.

### State Government

The State of Iowa, its agencies and political subdivisions.

### Other Political Subdivisions

An entity that (a) has a specific geographic area, and (b) has public officials elected at public elections, and (c) has taxing power, and (d) benefits the general public, and (e) is approved by the State of Iowa. This includes counties, cities, and public schools. The refund is not available to agencies or instrumentalities of a political subdivision, but rather only to the agencies and political subdivisions of the state of Iowa.

### Benefited Fire Districts

If the fuel is used for public purposes. Districts should apply for an Other Political Subdivision refund permit.

### Urban Transit System

Bus systems that transport passengers without discrimination, primarily on the streets of cities, and meet the requirements of the Iowa Department of Transportation. Also included is a company operating a taxicab service under contract with an Iowa urban transit system.

### Regional Transit System

A public transit system serving one county, or all or part of a multi-county area, whose boundaries correspond to the regional planning areas designated by the governor or approved by the Iowa Department of Revenue.

**Native American Tribe**

Native American Tribes who purchase and use fuel for tribal purposes on their own Indian Country and/or Native American Tribes who sell directly to their tribal members on their own Indian Country.

**Contract Carrier**

A carrier who has a contract with a public school under Iowa Code section 285.5 for transporting students.

**Commercial Fishing**

Licensed and operating under an owner's certificate issued pursuant to Iowa Code section 482.4; for fuel used in watercraft.

**Home Heating**

Motor fuel or undyed special fuel used in home heating.

**Extraction and Processing of Natural Deposits**

Motor fuel or undyed special fuel used for extraction and processing of natural deposits.

**Denaturing Alcohol**

Motor fuel or undyed special fuel used for denaturing alcohol.

**Refrigeration Units (reefers)**

Motor fuel and undyed special fuel used in refrigeration units.

**Pumping Credits (dry products)**

Motor fuel or undyed special fuel placed in the supply tank of a motor vehicle when the motor is used as a power source for off-loading.

**Pumping Credits (wet products)**

Motor fuel or undyed special fuel placed in the supply tank of a motor vehicle when the motor is used as a power source for off-loading

### **Off Road**

Motor fuel and undyed special fuel in unlicensed vehicles not operated on public highways.

### **Racing Fuel**

Fuel used to power vehicles used in racing. Users of racing fuel should apply for an Off Road refund permit.

### **Export of Tax Paid Fuel**

Distributors only. Motor fuel or undyed special fuel purchased tax-paid and sold in smaller quantities (less than transport load) to consumers outside the state.

### **Idle Time**

Motor fuel or undyed special fuel used when the engine is running but not propelling or operating the vehicle.

### **Power Takeoff**

Motor fuel or undyed special fuel used for powering auxiliary equipment that is powered by the power takeoff.

### **Ready Mix**

Motor fuel or undyed special fuel placed in the fuel supply tank of the vehicle; refund on 30 percent; accurate records must be maintained.

### **Solid Waste**

Off-loading. Motor fuel or undyed special fuel placed in the fuel supply tank of the vehicle; refund on 30 percent; accurate records must be maintained.

### **Refund Agent**

A person requesting a refund for idle time, power takeoff, refrigeration units, pumping credits, or transport diversions may designate another person as an agent to file the claim and receive the refund. See the previous definitions for the following: Reefer Unit, Pumping Credits (dry products), Pumping Credits (wet products), Idle Time, Power Takeoff.

### **Transport Diversions**

Transport loads of motor fuel or undyed special fuel which are sold tax-paid with an Iowa destination and later diverted to a point outside the state.

### **Casualty Losses**

Fuel lost or destroyed through fire, explosion, lightning, flood, storm, leakage, theft or other casualty.

### **Special Fuel Blending Errors**

This type of claim is similar to a casualty loss in that it relates to contamination of undyed special fuel. If dyed special fuel is inadvertently mixed with tax-paid undyed special fuel - to the extent that the undyed fuel must be converted to exempt dyed fuel by having additional dye added - the tax is refundable on the undyed special fuel.

### **Tax Overpaid or Underpaid on Blended Fuel**

This arises when the tax rate on the final blended product is different than the fuel tax rate of the individual products prior to blending.

### **No Refund Allowed**

There is no refund if the fuel is used in aircraft or pleasure boats.

**Common Refund Questions:**

Question: How do I apply for a refund permit?

Answer: Complete an application: [https://tax.iowa.gov/sites/files/idr/forms1/80005\\_1.pdf](https://tax.iowa.gov/sites/files/idr/forms1/80005_1.pdf) (pdf). The refund permit remains in effect until revoked, canceled, or until the permit becomes invalid.

Question: Why do I need to complete a refund permit application form?

Answer: You must complete and return the permit application if you wish to receive an Iowa fuel tax refund. Refunds cannot be applied for or issued until your application is approved.

Question: Do I need to obtain a refund permit?

Answer: Not always. If you qualify, there are two options available where no refund permit is needed. These options are:

- You may purchase dyed diesel fuel tax-free. Since there is no tax on this purchase, there is no need for a refund permit.
- You can claim a credit on your income tax return. (form IA 4136)

Question: How do I claim a credit on my income tax return?

Answer: You can claim a credit against your income taxes by completing form IA 4136 and attaching it to your year-end income tax return. Both individuals and corporations can take advantage of this method. However, the income tax credit is not available for refunds relating to casualty losses, transport diversions, pumping credits, blending errors, idle time, power takeoffs, reefer units, export by distributors, excess tax paid on gasohol, and tax overpaid on blended fuel. If you are using diesel fuel for an exempt purpose, buy dyed fuel whenever possible. A credit can be claimed on an income tax return for a period up to three years.

The income tax credit cannot be claimed for any year in which a fuel tax refund claim has been filed, unless the refund claim was for casualty losses, transport diversions, pumping credits, blending errors, idle time, power takeoffs, reefer units, export by distributors, or tax overpaid on blended fuel.

Question: Do I need to send the invoices in?

Answer: Not unless asked to submit the invoices. You are required to keep them for three years.

Question: Are there limitations on when I may file refund claims?

Answer: Yes. Claims must be filed within three years of the invoice date. In addition, claims should not be made for amounts under \$60. If the \$60 minimum is not met within the allowed time frames, a credit may be taken on the income tax return by using form IA 4136. A refund of less than \$60 will be allowed if the claimant is not required to file an income tax return or if the type of refund is not allowed to be taken as a credit on an income tax return.

Question: If I choose to apply for a fuel tax refund permit, how will I file refund claims?

Answer: For most types of claims, you will be given a toll-free telephone number and password information allowing you to provide the details of your refund claim to an operator. An information package along with your permit number will be forwarded to you upon approval of your application. Please allow 4 - 6 weeks for processing of your application. Claims relating to transport diversions, casualty losses, blending errors, and tax overpaid on blended fuel cannot use the telephone refund system. Obtain forms here: <https://tax.iowa.gov/form-types/motor-fuel-tax>.

Question: What requirements are needed for Idle Time or Power Takeoff?

Answer: To file idle time or power takeoff claims, you must have a pre-approved study on file with the Department explaining how you intend to compute the credit. For more information about idle time and power takeoff claims, call 515-242-6829 or email [idrmotorfuel@iowa.gov](mailto:idrmotorfuel@iowa.gov). For help with other claim types, call 515-281-3114 or 1-800-367-3388, or contact us by email at [idr@iowa.gov](mailto:idr@iowa.gov).

Question: What invoice dates can be used when calling in refund claims?

Answer: Due to differences in tax rates from year to year these dates may not overlap July 1 of any year. In other words, these dates must fall on or between the time period from July 1 of a particular year to June 30 of the following year. If you have some invoices prior to and some after, separate claims must be filed. Due to rate changes on March 1, 2015, separate claims must also be filed if you have some invoices prior to March 1, 2015 and some on or after March 1, 2015.

Question: Is fuel subject to sales tax?

Answer: Motor fuel and special fuel are exempt from sales tax when used on the highway or in watercraft or aircraft if the fuel tax has been paid and no refund of the fuel tax has been allowed. When a fuel tax refund is allowed, the sales tax is deducted from the refund unless it is used for a purpose that is exempt from sales tax. In some instances, the amount of sales tax which would be due may exceed the amount of fuel tax refund allowed. This can happen because the fuel tax rate is a flat amount per gallon and is not impacted by the price of the fuel. On the other hand, sales tax is based on the price paid for the fuel, so as the price goes up, the sales tax also goes up. If this situation occurs, taxpayers may elect to not claim the fuel tax refund, since if they did, they would owe the difference between the sales tax and the fuel tax refund. Dyed diesel would normally be subject to sales tax, unless the purchaser qualifies for a sales tax exemption.

In the following examples, the price per gallon and the fuel tax rate are for illustrative purposes only.

Example A: 10,000 gallons of diesel fuel purchased at \$1.50 per gallon.

Purchase Price:  $10,000 \times \$1.50 = \$15,000$

Iowa Fuel Tax Paid:  $10,000 \text{ gallons} \times 22.5 \text{ cents per gallon} = \$2,250$

Net Cost of Fuel:  $(\$1.50 - \$0.225) \times 10,000 = \$12,750$

Sales Tax (6%):  $\$12,750 \times 0.06 = \$765$

Net Refund:  $\$2,250 - \$765 = \$1,485$

Example B: 10,000 gallons of diesel fuel purchased at \$4.50 per gallon.

Purchase Price:  $10,000 \times \$4.50 = \$45,000$

Iowa Fuel Tax Paid:  $10,000 \text{ gallons} \times 22.5 \text{ cents per gallon} = \$2,250$

Net Cost of Fuel:  $(\$4.50 - \$0.225) \times 10,000 = \$42,750$

Sales Tax (6%):  $\$42,750 \times 0.06 = \$2,565$

Net Refund:  $\$2,250 - \$2,565 = [\$315]$

The sales tax exceeds the fuel tax refund. If the fuel tax refund claim is filed, \$315 sales tax is owed to the Department. If no claim is filed, no sales tax is due.

Note: If the fuel is used for a purpose that is exempt from sales tax, such as agricultural production, the full \$2,250 fuel tax refund would be allowed in both examples A and B.

## Filing Returns, Schedules, Reports, and Paying Taxes

Returns, schedules and reports are required to be filed electronically online through eFile & Pay: <https://tax.iowa.gov/efile-pay>

Fuel Tax has three electronic filing methods. Online (tax return only), Schedule upload or EDI (schedules only).

Restrictive suppliers, importers and blenders that have less than 5,000 gallons of fuel per month may file the return online using eFile & Pay. You will log into eFile & Pay and key in your total gallons. Schedules of Disbursements and Receipts are not required.

All restrictive suppliers, importers and blenders with at least 5,000 gallons of fuel or more per month; all transportation companies with at least 100,000 gallons of fuel or more per month; and all suppliers, terminals, and nonterminal storage facilities are required by rule to file their schedules using Schedule Upload or EDI. Before you can file you must call (515) 242-6829 to set a flag for the correct filing method. Filing the schedules will automatically create the tax return with the Department.

- Schedule Upload: You will upload Schedules of Disbursements and Receipts on eFile & Pay. You can use the Schedule Upload Template: <https://tax.iowa.gov/form-types/motor-fuel-tax/?combine=Template> (Excel format), or use your own system
- EDI: You will need to follow the Iowa Fuel Tax EDI Implementation Guide v1.04: <https://tax.iowa.gov/sites/files/idr/documents/IA%20Motor%20Fuel%20EDI%20Implementation%20Guide%20Version%201.04.pdf> (pdf). You will upload Schedules of Disbursements and Receipts on eFile & Pay.

If the due date falls on a weekend, federal holiday, or legal holiday as defined in Iowa Code section 4.1(34), the next business day will become the due date.

## Paying taxes electronically

Payment is required to be made electronically for all Iowa Fuel Tax License holders, including LPG.

Electronic payment options:

- ePay (direct debit from your account through the eFile & Pay system)
- ACH Credit

## Applying your payment

Any payments received will be applied first to the penalty, then to the interest, and the balance, if any, to the tax due.

## Extension of time to file

The Department may grant an extension for the filing of any required return or tax payment.

The request for extension must be in writing before the due date of the return or remittance. The request must include an explanation justifying the extension. The extension period cannot exceed 30 days.

## Penalties and Interest

### Failure to timely file a return

A penalty of 10 percent will be added to the tax due for failure to timely file a return if at least 90 percent of the correct amount of tax is not paid by the due date. The penalty can only be waived under limited circumstances.

For each month the required tax is not paid, interest accrues on the unpaid tax at a rate prescribed by law from the due date of the return until payment is received. For purposes of computing interest, each fraction of a month constitutes a whole month. Where the failure to file penalty and one of the other penalties are applicable, the failure to file penalty shall take precedence. No penalty is assessed for late filed reports if no tax is due; however, recurring instances of failure to file reports timely or failure to pay tax timely will result in the imposition of a bond requirement or revocation of the permit.

### Failure to timely pay the tax due

A penalty of 5 percent will be added to the tax if at least 90 percent of the correct amount of tax is not paid by the due date. The penalty can only be waived under limited circumstances. For each month the required tax is not paid, interest accrues on the unpaid tax at a rate prescribed by law from the due date of the return until payment is received. For purposes of computing interest, each fraction of a month constitutes a whole month. Recurring instances of failure to file reports timely or failure to pay tax timely will result in the imposition of a bond requirement or revocation of the permit.

### Failure to pay electronically

A penalty of 5 percent will be added to the tax due if the payment is not received electronically through ePay or ACH credit as required.

### Failure to use the required method of filing

Fuel and LPG tax returns, schedules and reports must be filed through the eFile & Pay system. If not, a penalty of 5 percent of the amount of tax due will be added.

### Failure to file a transportation, terminal or nonterminal storage facility report

A penalty of \$100 for the first violation, and an additional \$100 for each subsequent violation occurring within the same calendar year, is imposed for failure to file the required transportation, terminal or nonterminal storage facility reports.

### Penalty for improper receipt of refund

If a person files an incorrect refund claim, in addition to the excess amount of the claim, a penalty of 10 percent shall be added to the amount by which the amount claimed and refunded exceeds the amount actually due. If a person knowingly files a fraudulent refund claim with the intent to evade the tax, the penalty shall be 75 percent in lieu of the 10 percent.

### **Bonds and Personal Responsibility for the Tax**

When necessary and advisable to secure payment of tax, the Department may require a bond of any license holder. The Department generally requires a bond on a new applicant only if the applicant has established an unfavorable filing or remittance record on a previous license or if the Department feels the applicant's financial status is such that timely payment of taxes is questionable.

If the license holder is a corporation, an officer of the corporation may assume personal responsibility for the payment of the fuel tax.

### **Records Required**

The following records must be kept for three years by licensees:

- Copies of bills of lading or manifests
- Purchase invoices
- Copies of sales invoices
- Exemption certificates (LPG, LNG, CNG only)
- Purchase records
- Sales records
- Copies of reports and schedules filed with the Department
- Iowa export schedules
- Canceled checks and cash register tapes

Storage Facility records:

- Records to evidence the acquisition of fuel
- Bills of lading or manifests covering the withdrawal of fuel
- Copies of filed reports and supporting schedules

**Fuel Tax Items Available on the IDR Website:**

License Application: <https://tax.iowa.gov/sites/files/idr/forms1/IAMotorFuelTaxLicenseApp%20%2880001%29.pdf> (pdf)  
Refund Permit Application: <https://tax.iowa.gov/sites/files/idr/forms1/Fuel%20Tax%20Refund%20Permit%20Application%20%20%2880005%29.pdf> (pdf)  
Change or Cancel a Fuel Tax License: <https://www.idr.iowa.gov/ChangeForm/>  
Forms: <https://tax.iowa.gov/form-types/fuel-tax>  
eFile & Pay: <https://tax.iowa.gov/efile-pay>  
List of Licensees: <https://tax.iowa.gov/report/Licensees>  
Monthly Reports: <https://tax.iowa.gov/report/Monthly-Reports>  
Fuel Tax eList: [https://public.govdelivery.com/accounts/IACIO/subscriber/new?qsp=IACIO\\_1](https://public.govdelivery.com/accounts/IACIO/subscriber/new?qsp=IACIO_1) Receive Iowa fuel tax news by email  
Iowa Fuel Tax Rates: <https://tax.iowa.gov/iowa-tax-fee-descriptions-and-rates#mvf>  
Information on Iowa Electronic Payment Options: <https://tax.iowa.gov/electronic-payment-options>  
Interest Rate: <https://tax.iowa.gov/research-statistics/history-interest-rates>  
Other Iowa Fuel Tax Information: <https://tax.iowa.gov/other-iowa-motor-fuel-tax-information>

**Questions?**

Email: [idr@iowa.gov](mailto:idr@iowa.gov)

Postal Mail:

Taxpayer Services  
Iowa Department of Revenue  
P.O. Box 10457  
Des Moines IA 50306-0457

Or call:

1-800-367-3388

515-281-3114

TDD - Deaf and hearing assistance: 515-242-5942

Monday - Friday 8 a.m. to 4:15 p.m.

### **To Receive Iowa Tax Forms**

Internet: <https://tax.iowa.gov/Forms>

Call:

1-800-532-1531 (in Iowa )

515-281-7239 (local, out of state)

### **Other Fuel Related Questions**

#### **Where do I get my retail pump calibrated or obtain labels for it?**

Iowa Department of Agriculture: <http://www.iowaagriculture.gov/>

Weights and Measures Division

515-281-5716

#### **Where do I get my storage tanks (above and below ground) registered and inspected and more information on EPC?**

Iowa Department of Natural Resources: <http://www.iowadnr.com/>

1-800-942-1000

515-281-8693

#### **Where do I get information about the International Fuel Tax Agreement (IFTA)?**

Iowa Department of Transportation: <http://www.iowadot.gov/index.html?#/services>

Motor Carrier Services

515-237-3224