

IRS Rules-Diesel Fuel and Gasoline Purchases

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Gasoline, diesel, and certain other fuels purchased for the exclusive use of a state or local government are exempt from the federal excise taxes on those fuels (24.4 cents per gallon for diesel fuel, 18.4 cents per gallon for gasoline). Since your city can buy the fuel tax-free, it need not request a refund.

The Omnibus Budget Reconciliation Act (P.L. 103-66), enacted in August 1993, made the collection point for the excise taxes on diesel fuel the same as the collection point for gasoline. The act also provided that diesel fuel dyed in accordance with IRS regulations may be sold at a tax-excluded price if the fuel is for a nontaxable use (e.g., the exclusive use of a state or local government).

State and local governments can purchase dyed diesel fuel (blue for high-sulfur fuel for use in off-highway vehicles and red for low-sulfur fuel for use in motor vehicles) at a price *that excludes the federal excise tax*. Dyed fuel may be purchased from any vendor who sells it. The vendor will post a notice stating: DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE. This notice will appear on retail pumps, all bills, shipping paper, etc.

According to IRS rules, the only legal way to purchase *undyed* diesel fuel without paying taxes is to buy it from a certified vendor. The vendor alone is then responsible for seeking a refund in excise taxes from the IRS. To obtain the refund, the vendor must be a “registered ultimate vendor” and the local government must give the vendor a “Model Certificate A,” certificate of farming use or state use to support vendors’ claims for credit or payments under section 6427 of the Internal Revenue Code.

Anyone who illegally uses dyed diesel and gasoline fuels—fuels that have been exempted from the federal excise tax—will be severely penalized.

CERTIFICATE OF FARMING USE OR STATE USE

(To support vendor's claim for credit or payment under section 6427 of the Internal Revenue Code)

Name, Address, and Employer Identification Number of Vendor

The undersigned buyer ("Buyer") hereby certifies the following under penalties of perjury:

A. Buyer will use the diesel fuel or kerosene to which this certificate relates — (check one):

1. ☐ On a farm for farming purposes (as defined in §48.6420-4 of the Manufacturers and Retailers Excise Tax Regulations) and Buyer is the owner, tenant, or operator of the farm on which the fuel will be used;
2. ☐ On a farm (as defined in §48.6420-4(c)) for any of the purposes described in ¶ (d) of that section (relating to cultivating, raising, or harvesting) and Buyer is not the owner, tenant, or operator of the farm on which the fuel will be used; or
3. ☐ For the exclusive use of a State or local government, or the District of Columbia.

B. This certificate applies to the following (complete as applicable):

1. If this is a single purchase certificate, check here ☐ and enter:
 - a. Invoice or delivery ticket number _____
 - b. Number of gallons _____
2. If this is a certificate covering all purchases under a specified account or order number, check here ☐ and enter:
 - a. Effective date _____
 - b. Expiration date _____
(period not to exceed 1 year after effective date)
 - c. Buyer account or order number _____

Buyer will provide a new certificate to the vendor if any information in this certificate changes.

If Buyer uses the diesel fuel or kerosene to which this certificate relates for a purpose other than stated in the certificate, Buyer will be liable for any tax.

Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed

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Authorization No. E14-1050-000-026-02

