

Use Fuel Vendor Frequently Asked Questions



- Licensing Requirements
- Record-keeping Requirements
- Dispenser Labeling Requirements
- Refunds
- Forms and Additional Information
- Dyed Diesel
- Reporting Potential Violations
- Agency Authority
- State Tax Rates
- Qualifying Purchasers

What is "use fuel"?

"Use fuel" is commonly called diesel fuel and includes all gases and liquids, including diesel fuel, used or suitable for use to propel motor vehicles. It does not include gasoline.

What is a "vendor"?

"Vendor" is a person who sells use fuel in Arizona, and who places the fuel or causes the fuel to be placed into any receptacle on a motor vehicle for use in propelling the vehicle, including a service station dealer, broker or user who sells use fuel to others. (ARS 28-5601)

Additionally, a person who is the owner of use fuel contained in bulk storage and who permits the fuel to be delivered into the fuel tank of a motor vehicle for which the person is not the owner or lessee, is presumed to be a vendor of use fuel. (ARS 28-5617B)

Is a use fuel vendor required to be licensed in Arizona?

Yes. A person who sells use fuel for delivery directly into a vehicle fuel tank must be licensed as a vendor, and must maintain separate business records. A separate license is required for each branch location. Sample copies of use fuel sales receipts for each pump at each location must be submitted with the license application.

These receipts must include the following information:

- Date of purchase

- Seller's name and physical address
- Number of gallons purchased
- Type of fuel purchased
- Price per gallon of the fuel
- Tax paid per gallon (\$.18 or \$.26)

(ARS 28-5617A and 28-5626C)

What is the tax rate on use fuel?

Use fuel in Arizona is taxed at two levels:

1. If the use fuel is used in the propulsion of a use class motor vehicle on a highway in this state, the tax rate is \$.26 per gallon.

A "use class motor vehicle" means a motor vehicle that is a road tractor, truck tractor, truck or passenger carrying vehicle having a declared gross vehicle weight of more than 26,000 lbs, or having more than two axles.

2. If the use fuel is used in a light class motor vehicle (such as a pickup truck), or an exempt vehicle (certain school buses, government and non-profit vehicles), or a non-commercial RV or motor home on a highway in this state, the tax rate is \$.18 per gallon.

(ARS 28-5432, 28-5601, 28-5605 and 28-5606)

How can a purchaser obtain a refund for the \$.08 tax difference?

If requested by the purchaser, a vendor must refund the \$.08 difference to the purchaser for fuel delivered from a \$.26 per gallon dispenser into a light class or exempt vehicle.

(ARS 28-5605A)

Can a purchaser obtain a refund for bulk tank purchases?

No. A vendor is only required to provide refunds to purchases of diesel fuel purchased at the \$0.26 tax rate for light class vehicles or exempt vehicles.

How can a vendor obtain a refund for the \$.08 tax difference?

The vendor can apply for a refund of the \$.08 difference for gallons purchased by the vendor at \$.26 per gallon, but dispensed into light class/exempt use class vehicles at a tax rate of \$.18 per gallon.

Apply for a refund at:
<http://www.azdot.gov/mvd/professional-services/FuelTaxInfo/refunds>

(ARS 28-5612, 28-5613, 28-5614 and 28-5620C)

What records must a vendor maintain?

Vendors must maintain records of fuel received, sold or delivered in Arizona by the vendor for three years. In addition to fuel sales receipts, the required records include invoices, bills of lading, delivery tickets, daily meter readings, and other pertinent records and papers.

(ARS 28-5619C, 28-5620C and 28-5617)

Is there a penalty for fueling a use class vehicle at a light class pump?

Yes, the person is subject to a civil penalty of \$1,000 or \$10 for each gallon of use fuel dispensed, **whichever is greater**. The person also must pay ADOT the difference between the amount of light class fuel tax paid and the amount of use class fuel tax on the gallons purchased.

For a second or subsequent violation, the penalty is multiplied by the total number of violations.

(ARS 28-5623)

What labels are required on use fuel dispensers?

Vendors are required to place decals on each use fuel dispenser (by each nozzle) notifying purchasers of the applicable rate of tax included in the price of the fuel.

The labels (see below) may be obtained by contacting the Fuel Tax Licensing Unit at 602-712-8853 or ADOTFTLU@azdot.gov.



WARNING

Fuel dispensed from this pump can only be placed directly into the fuel tank of the following vehicle types:

- Less than 3 axles, and
- Declared Gross Vehicle Weight under 26,001 lbs, or
- Exempt under ARS 28-5432 (school buses, government and non-profit), or
- Non-commercial RV's and motor homes

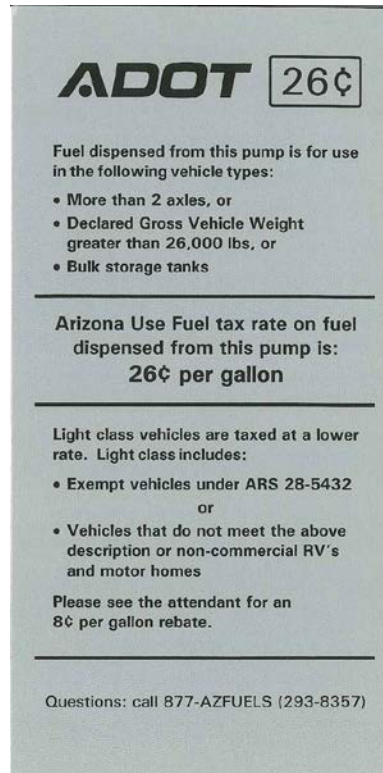
Do not dispense fuel from this pump into a bulk storage tank, or the fuel tank of the following vehicle types:

- 3 or more axles, and/or
- Declared Gross Vehicle Weight of more than 26,000 lbs

**Arizona Use Fuel tax rate on fuel dispensed from this pump is:
18¢ per gallon**

\$1,000 Minimum Penalty
for dispensing fuel from this pump into a vehicle or storage tank not meeting the descriptions listed above.
A person who violates these provisions is subject to a Civil Penalty of \$1000 or \$10 per gallon, whichever is greater. (ARS 28-5623)

Questions: call 877-AZFUELS (293-8357)



Is there a penalty if fuel dispenser labels are not affixed to pumps?

Yes, vendors are subject to a \$100 per pump per day civil penalty. The labels must be visible and legible. It is unlawful to alter the labels in any way. The penalty also applies to labels that are altered. (ARS 28-5605)

Where on the pump should labels be placed?

The label must be displayed on the upper 60% of the face of the fuel dispenser, on a clean, dry surface. It must not hide or cover any Department of Weights and Measures labels. The label must be clean, legible, visible and in an upright position, at all times.

What happens when a light-class/exempt vehicle fuels at a use-class pump?

If a light class vehicle fuels at a use class pump, the vendor must refund the \$0.08 per gallon difference upon request. The cashier must issue the refund to the customer. The vendor must keep a log of refund requests.

Are there other requirements for cardlock facilities selling use fuel at \$.18?

A vendor that dispenses use fuel from a cardlock facility must require the purchaser of use fuel for light class motor vehicles or exempt use class motor vehicles to complete a declaration of status.

Dyed diesel can be used off-highway in equipment that is not registered and not required to be registered as a motor vehicle in Arizona.

What are the allowable uses of dyed diesel fuel?

It is illegal to operate or maintain a motor vehicle on any highway in Arizona if the use fuel contained in the fuel supply tank contains dye. There are exceptions for certain federally exempt school buses and local buses.

(ARS 28-5649)

What notice must be provided by a vendor of dyed diesel fuel?

A notice stating "Dyed diesel fuel, nontaxable use only, penalty for taxable use." must be posted by a seller on any retail pump dispensing dyed diesel for use by its buyer. This notice must also appear on invoices accompanying the sale or removal of the dyed fuel.

It is illegal to sell or hold for sale dyed diesel fuel for any use that the person knows, or has reason to know, is not a nontaxable use of the fuel. It is also illegal to willfully, with intent to evade tax, alter or attempt to alter the strength or composition of any dye or marker in any dyed diesel fuel.

(ARS 28-5646 and 28-5647)

What is the ADOT authority to inspect vendor records, storage tanks, equipment, fuel, etc.?

During usual business hours, we may examine records, books, papers, storage tanks and any other equipment of a person pertaining to motor fuel imported, received, sold, shipped, delivered or used.

We may conduct inspections and remove samples of fuel to determine coloration of diesel fuel, or to identify shipping paper violations at any place where taxable fuel is or may be produced, stored or loaded into transport vehicles.

Inspections must be performed in a reasonable manner consistent with the circumstances, but in no event is prior notice required.

Inspectors may physically inspect, examine or otherwise search any tank, reservoir or other container that can or might be used for the production, storage or transportation of fuel. Inspection may be made of any equipment used for, or in connection with, the production, storage or transportation of fuel. Inspectors may demand that shipping papers, documents and records required to be kept by a person transporting fuel be produced for immediate inspection.

The places that may be inspected include:

- Port of entry
- Terminal
- Fuel storage facility that is not a terminal
- Retail fuel facility
- Highway rest stop
- Designated inspection site

(ARS 28-5620, 28-5648 and 28-5603)

What are the penalties for violations?

Arizona law prescribes both civil and criminal penalties for fuel tax violations and related offenses.

Civil penalties are in addition to any taxes and interest due, and may include a penalty of 50% of the tax assessed if any part of the deficiency is due to fraud.

Criminal violations include those involving fuel tax evasion, impeding or obstructing enforcement of the laws, and the filing of false statements or reports, including false claims for refund.

We actively conduct inspections and audits pursuant to these statutes.

How do I obtain forms, decals and additional information?

Please contact the Fuel Tax Licensing Unit at 602-712-8853 or e-mail us at ADOTFTLU@azdot.gov.

How can I report potential violations of the fuel tax laws?

If you observe violations or have a suspicion that violations have occurred, you may report them:

Online:

<http://www.azdot.gov/apps/reportfueltaxevasionviolator>

Phone: 877-AZFuels (877-293-8357)

This information is provided to inform you of general requirements in the areas addressed. It is not intended to be referenced as legal authority for taking any action or position, nor is it intended to set forth the legal position of the State of Arizona in specific cases, which must be considered individually based on all facts and circumstances.

You should thoroughly review all applicable statutes, and consult counsel as appropriate, before taking any action or position.