



# Motor Fuels Tax Newsletter

News and developments

A publication of the Motor Fuels Tax Section

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**Tax Commissioner**

## Tax on Fuels Sold to Schools

All schools in North Dakota, except the Indian schools listed below, are subject to the same tax rates as any other consumer. Federal tax exemptions or state sales tax exemptions do not apply to state fuel taxes.

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- Standing Rock Community Elementary, Fort Yates
- Standing Rock Community Grant High School, Fort Yates
- Sitting Bull College, Fort Yates
- Fort Berthold Community College, New Town
- Ojibwa Indian School, Belcourt
- Dunseith Day Elementary School, Dunseith
- Tate Topa Tribal, Fort Totten
- Cankdeska Cikana Community College, Fort Totten
- Circle of Nations School, Wahpeton
- United Tribes Technical College, Bismarck
- Theodore Jamerson Elementary School, Bismarck

All other schools located on North Dakota Indian reservations are subject to the same fuel taxes as any other public or private school in the state. The fact that the schools obtain part or a majority of their funding from the BIA is not relevant. The BIA itself, however, may purchase fuel tax free due to the fact that it is an agency of the U. S. Government.

Under federal law, public schools may purchase dyed diesel fuel for use in school buses. As a result, the state has also been allowing suppliers and distributors to sell dyed diesel fuel for use in school buses, provided they charge and remit the \$.21 per gallon tax. A supplier or distributor doing this must make sure that the \$.21 per gallon is clearly stated on the sales invoice and that the gallons are reported on the proper line on the tax return. A copy of the sales invoice should be submitted with the tax report.

If you have not been collecting and remitting the state tax on fuel sold to schools on Indian reservations, other than those listed above, you will be expected to do so beginning September 1, 2003. 

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## Liquefied Petroleum Gas – Container Sales to Retailers – For Resale

Fuel retailers who sell only containers of propane and sell no more than 1,000 gallons during a calendar quarter are not required to be licensed with the Tax Commissioner. Instead, the fuel retailer is expected to pay the 2% special fuel excise tax at the time the propane is purchased from a licensed supplier or distributor.



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Motor fuel tax law does not classify businesses such as a grocery store, discount stores, and general merchandise stores as “retailers” for fuel tax purposes. Instead, these entities are treated as consumers and the 2% special fuel excise tax should be charged and remitted by the distributor or supplier selling propane to them. 

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## Purchases, Sales, and Inventories

As you are by now aware, we changed the back of the Motor Vehicle Fuel and Special Fuel tax returns. You are now required to break down your purchases, sales, and inventory figures between the designated fuel types on a monthly basis. You also need to report your actual inventory figures each month, even if you are not reconciling from your book to your physical inventories. Motor Vehicle Fuel and Special Fuel reports for September 2003 not having this information on them will be returned to the taxpayer as incomplete.

Please remember to reconcile your book inventory to your actual physical inventory at least once every 12 months for all fuel types. Do not compute a tax credit or a tax due on gains. Tax due on gains applies when the gain is sold or used. Also, do not adjust your physical inventories for pre-sold fuels not yet invoiced or delivered.

A new supply of forms was recently sent to you. Be sure to use the new forms for current and future report periods. 

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## Biodiesel

We are beginning to see an increase in purchases and sales of biodiesel. This has resulted in some questions on how these transactions should be reported on the special fuel tax returns.

“Biodiesel” is a renewable fuel made from vegetable oils or animal fat that is suitable for blending with diesel fuel. “Blending” means either purchased already blended, blended at the point of purchase, blended by the seller and stored as a blended product, or blended by the seller at the point of sale. The general rule of thumb for reporting “biodiesel” transactions is:

Straight biodiesel is product type 999 and reportable in Column D on the back of the tax report. Blended biodiesel is product type 228 when blended with dyed diesel and product type 160 when blended with clear diesel.

Instructions covering different scenarios are available by contacting the Motor Fuel Tax Section. 

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## Fuels Used for Purposes Other than “Motor Fuels”

Fuel sold for use as an ingredient in the manufacture of another product is not subject to state fuel taxes.

Additives in and of themselves are not subject to fuel taxes. When they are mixed with fuel products, they become part of the fuel inventory and subject to the applicable fuel tax. Additives, including ethanol/alcohol, purchased by consumers for use as solvents or other non-fuel purposes, are not subject to fuel tax but are subject to sales tax.

*Fuel sold for use as an ingredient in the manufacture of another product is not subject to state fuel taxes.*

Methanol used to clean propane tanks, or used in winter months as an additive to propane, becomes part of the propane inventory subject to the applicable fuel tax. Methanol can be purchased as an additive or as a “motor vehicle fuel.” If the methanol was purchased as a motor vehicle fuel but was used in propane tanks, the transaction should be reported as a tax-free sale of motor vehicle fuel with a notation that it is to be used as an ingredient in propane.

For further information, contact the Motor Fuel Tax Section. 

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## Fuel Sold to Railroads – Documentation Required

Suppliers and distributors selling fuel to railroads may periodically be requested to provide detailed certified listings or invoices covering all North Dakota transactions. This information will be used to assure that the correct North Dakota tax has been charged and remitted on all such transactions and to cross-match the information with reports submitted by the railroads. 

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## Schedules of Gallons Received and Disbursed

To assure total fuel accountability, it is necessary to follow the flow of fuel from removal at a North Dakota pipeline terminal or upon import by tanker, bulk truck, or railcar, until it is sold for a taxable purpose or exported. In order to do this and in order to alert taxpayers of inconsistencies at the earliest possible time, it is necessary that sellers and purchasers each use the correct product codes, document numbers, transaction dates, and identification numbers.

**Product Codes:** The product codes are listed on the schedules provided by this office. In addition, until further notice, use the gasohol code 124 for E-85, 999 for unblended biodiesel (identify it), and the applicable 160 or 228 for blended diesel/biodiesel.

The majority of discrepancies on the motor vehicle fuel tax schedules are due to inconsistent uses of product codes for straight ethanol/alcohol and for gasoline blended with ethanol/alcohol. Purchasers need to use the same product code for each transaction as the seller does. This means that the purchaser and seller may need to consult each other to determine how best to accomplish this. Both parties may also wish to contact the Motor Fuel Tax Section for examples. 

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## Two-Percent Special Fuel Excise Tax Applies on Freight

The 2% special fuel excise tax applies to the cost of the fuel plus related charges. Freight, if FOB destination, is a related charge whether billed on the same ticket as the fuel or separately. 

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## Forms Available on Internet

Motor fuel license applications, tax returns, schedules of gallons received, and schedules of gallons disbursed FDF fillable forms are available from our Web site at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com) and click on Fuels. 

*It is necessary that sellers and purchasers each use the correct product codes, document numbers, transaction dates, and identification numbers.*

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## Taxpayer Assistance

If you have questions regarding motor fuel tax or questions regarding correspondence received from our office, the following information will be helpful in ensuring that your call or visit to our office is completed in a speedy and efficient manner:

- To call our office with general motor fuel tax questions, you can call our Motor Fuels Tax Section at (701) 328-3139.
- If calling our office in regards to correspondence you have received, please call the number that is listed on the correspondence, and have a copy of the correspondence available when you call.
- When calling our office, note the name of the person assisting with your question in the event you will have any follow-up questions later.
- Instead of calling or visiting our office, you may also e-mail us at [motorfuelstax@state.nd.us](mailto:motorfuelstax@state.nd.us). 



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