

Under certain circumstances, fuel users may be required to remit fuel tax to the Department or claim a refund for tax previously paid. This publication provides general guidance regarding tax refunds and remittance for fuel tax users and is intended to supplement guidance provided in the *Colorado Fuel Tax Guide*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

Tax remittance by fuel users

In general, fuel tax is paid by the importer, distributor, or vendor before or at the time that the fuel is sold to the end user and the fuel user is not required to remit tax to the Department. However, anyone who uses fuel that has not previously been taxed to power a motor vehicle on public roadways in Colorado must file a fuel tax return with the Department and pay the tax, unless the use qualifies for *exemption*, discussed later in this publication. The user is deemed to be a distributor and is subject to the same requirements for filing, tax remittance, and recordkeeping as any other distributor. Please see *Part 4* of the *Colorado Fuel Tax Guide* for additional information.

Exemptions

Fuel may be exempt from Colorado fuel tax depending on various factors.

Fuel brought into Colorado in a vehicle's fuel tank

In general, any person operating a passenger car, truck, or bus is not required to pay fuel tax on fuel they bring into Colorado in the ordinary fuel tank of the vehicle. However, this exemption does not apply to any person operating a qualified motor vehicle pursuant to the International Fuel Tax Agreement (IFTA).

Dyed diesel

In general, diesel fuel that is dyed under EPA or IRS rules is tax-exempt and may not be used in any motor vehicle that is required to be licensed for operation on public highways in Colorado. However, dyed diesel may be used for a taxable purpose to the extent that such use is allowed under federal law or regulations. In the case of such taxable use of dyed diesel, the user must pay the applicable tax. Colorado fuel tax does not apply, however, to dyed diesel fuel purchased for use in any of the following vehicles, for the stated purposes:

- Farm vehicles when such vehicles are used on farms and ranches;
- Farm tractors;
- Implements of husbandry operated off the public highways; and
- Vehicles or construction equipment operated within the confines of highway construction projects when they are actually being used in the construction of such highways.

Fuel used by governmental entities

In general, Colorado fuel tax does not apply to fuel purchased by any of the following governmental entities:

- The United States and any of its agencies;
- The State of Colorado and any of its agencies;
- Towns, cities, and counties in Colorado;
- School districts in Colorado; and
- Any other political subdivision in Colorado.

The tax exemption applies only if the gasoline or special fuel is used exclusively by the governmental entity in performing its governmental functions and activities. Please see *Appendix E* of the *Colorado Fuel Tax Guide* for additional information regarding the exemption for governmental entities.

Refunds for fuel users

Under certain circumstances, fuel users may claim a refund for the Colorado fuel tax previously paid. However, a refund may not be claimed for any fuel purchase of less than 20 gallons. The conditions under which a refund may be claimed are listed below, along with conditions specifically relating to the use of fuel in aviation. A refund may not be claimed for any fuel used for propelling a motor vehicle operated in whole or in part during the calendar year upon public roadways, except by a *governmental entity* described earlier in this publication.

Any applicant claiming a refund of Colorado fuel tax must obtain a *refund permit* and file *refund claims*, as discussed later in this publication.

Gasoline and special fuels eligible for refunds

Any person may claim a refund for the Colorado fuel tax previously paid on gasoline and special fuels they purchase and use for any of the following purposes:

- Operating a stationary gas engine;
- Operating a motor vehicle on or over fixed rails;
- Operating a tractor, truck, or other farm implement or machine for agricultural purposes on a farm or ranch;
- Operating a motor boat;
- Cleaning and dyeing;
- Any commercial use other than the operation of an aircraft or a motor vehicle on public roadways; or
- Any of the *exempt uses* described earlier in this publication.

Aviation fuels eligible for refunds

If certain conditions are met, aviation fuel is tax-exempt if used by Part 121 air carriers, Part 135 commuter air carriers, or direct air carriers providing air transportation to authorized public charters. These carriers may claim a refund for any Colorado fuel tax previously paid on aviation fuels they purchase. Please see *Appendix A* of the *Colorado Fuel Tax Guide* for additional information regarding the conditions for these carriers to qualify for exemption and to claim refunds.

Additionally, a partial refund is allowed for aviation fuel used in operating a state-licensed agricultural applicator aircraft from a private landing facility used solely and exclusively for agricultural applications. Refunds are allowed for 50% of the tax previously paid on the fuel.

If fuel tax has been paid on any aviation fuel at a rate higher than the applicable rate, the purchaser of the fuel may claim a refund for the difference between the tax actually paid and the tax calculated with the applicable rate. The applicable rate for aviation gasoline used as fuel for the propulsion of nonturbo-propeller or nonjet engine aircraft (Avgas) is six cents per gallon or fraction thereof. The applicable rate for the propulsion of turbo-propeller or jet engine aircraft (jet fuel) is four cents per gallon or fraction thereof.

Refund permits

Anyone claiming a fuel tax refund must apply for a refund permit before or at the time of filing their first refund claim. Applicants must complete and submit the *Gasoline/Special Fuel Tax Refund Permit Application (DR 7189)*. Upon approval of the application, the Department will issue to the applicant a refund permit number and refund claim forms with the approved *exemption percentage*, discussed later in this publication. Refund permits may not be transferred from the applicant to any other person.

The Department will cancel a refund permit if the permit holder has not filed any claim for a period of 24 months or commits any of the following offenses:

- The permit holder makes a false statement in the permit application or any refund claim;
- The permit holder submits with any refund claim an invoice that does not accurately represent the time, place, or quantity of a fuel purchase; or
- The permit holder uses fuel on which a refund is claimed in any motor vehicle operated on the public roadways.

The preceding offenses are class 2 misdemeanors and punishable as such.

A permit holder must notify the Department of any changes to any of the information included on their permit application, including, but not limited to the nature of the business, account name, trade name (DBA), ownership, address, equipment, storage capacity, or fuel use.

The permit holder must provide documentation substantiating the change, including records covering the full year to account for cyclical or seasonal change affecting the business. Documentation may include records reflecting equipment, vehicle, and fuel use; actual mileage over the road; or miles per gallon.

The permit holder may notify the Department either by email to DOR_FuelTax@state.co.us or in writing to:

Colorado Department of Revenue
Fuel Tax Unit
PO Box 17087
Denver, CO 80217-0087

Industry-specific exemption percentages

The Department will calculate fuel tax refunds in accordance with percentages of exempt and non-exempt fuel used in specific industries. Upon review and approval of the refund permit application, the Department will notify the applicant of the approved exemption percentage for their refund permit. A permit holder must notify the Department and submit a new *Gasoline/Special Fuel Tax Refund Permit Application (DR 7189)* if its business operations change in any manner that would affect the approved exemption percentage. Please see *1 CCR 201-16, Rule 39-27-103* for additional information regarding exemption percentages.

Refund claims

Permit holders must complete and submit a *Fuel Tax Refund Claim (DR 7118)* to claim a refund for fuel taxes. Forms and instructions are available online at [Tax.Colorado.gov/fuel-tax-forms](https://tax.colorado.gov/fuel-tax-forms). Any claim for refund must be filed within 12 months after the date of purchase and may not be filed more than once per calendar quarter.

Any permit holder who claims a refund for fuel tax must retain the delivery ticket, issued at the time of sale and delivery, for any fuel included in the refund claim. The permit holder must retain delivery tickets for a period of three years and make them available to the Department upon request. The delivery ticket must show the following information:

- The dealer's name and address;
- The address at which the fuel was delivered;
- The purchaser's name and address;
- The date of sale and delivery;
- The bill of lading number, if applicable;
- The delivery ticket number; and
- The type and quantity of fuel sold.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to tax remittance and refund claims for fuel users. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-27-101, C.R.S. Definition - construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel - deposits - definition.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed - ex-tax purchases - definition.
- § 39-27-103, C.R.S. Refunds - penalties - checkoff - limits on collections.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel - rules.
- § 39-27-107, C.R.S. When users other than distributors must report.
- 1 CCR 201-16, Rule 39-27-103. Refunds of Gasoline and Special Fuel Tax.

Forms and guidance

- *Colorado Fuel Tax Guide*
- [Tax.Colorado.gov/fuel-tax-refunds](https://tax.colorado.gov/fuel-tax-refunds)
- [Tax.Colorado.gov/fuel-tax-forms](https://tax.colorado.gov/fuel-tax-forms)
- *Gasoline/Special Fuel Tax Refund Permit Application (DR 7189)*
- *Fuel Tax Refund Claim (DR 7118)*