COLORADO
Department of Revenue
Taxation Division



Colorado Fuel Tax Guide

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Colorado imposes fuel tax, as well as certain surcharges and fees, on the acquisition, sale, importation, or removal of gasoline and special fuel within the state. The tax applies generally to any fuel used to power a motor vehicle driven on public roads in Colorado and any gasoline used to power a motor boat in the state. Aviation fuel is also subject to the tax, but exemptions apply to fuel used by certain air carriers.

In general, the tax is imposed at the time the fuel is removed from a terminal. However, under various circumstances, the tax may be imposed at different times. In particular, the tax on liquefied petroleum gas and compressed natural gas is generally imposed at the time the fuel is placed into the fuel tank of a motor vehicle.

Every fuel distributor, supplier, terminal operator, importer, exporter, carrier, or blender is required to obtain one or more fuel tax licenses covering their activities in Colorado. If anyone is operating in Colorado without the required license(s), the Department may impose penalties and detain any shipment of fuel until the applicable tax and penalties have been paid.

Licensees are required to file itemized returns on a monthly basis detailing all fuel acquisitions and disbursements, regardless of whether any tax is due. They are also required to retain appropriate records necessary to determine the tax along with specific forms of documentation, depending on the activities they perform.

This publication is designed to provide general guidance regarding taxable fuels, exemptions, tax calculation, fees and surcharges, filing, remittance, and recordkeeping requirements prescribed by law. Additional information, guidance, forms, and instructions can be found online at *Tax.Colorado.gov*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Anyone with questions regarding their specific situation is encouraged to consult their tax advisors for guidance.

This publication generally does not discuss the taxes that fuel users may be required to remit directly to the Department or refund claims that may be filed by exempt fuel users. For additional information about taxes and refunds for fuel users, please see Department publication *Fuel Tax Topics: Fuel Users*. This publication also does not address federal fuel excise taxes, which are discussed in *IRS Publication 510, Excise Taxes*.

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Part 1: Taxable Fuels and Exemptions

Colorado imposes a fuel tax on gasoline and certain other special fuels, but allows exemptions for dyed diesel, certain tax-exempt purchasers, and fuel exported out of Colorado. This Part 1 provides information regarding taxable fuels and exemptions.

Gasoline

Gasoline is subject to Colorado fuel tax. In general, taxable gasoline includes any flammable liquid used primarily as a fuel for the propulsion of motor vehicles, motor boats, or aircraft. The tax applies to gasoline used in motor vehicles licensed for use on public highways, but generally does not apply to fuel used in motor vehicles that are not required to be licensed.

Any product that has been blended with gasoline is considered to be gasoline for Colorado fuel tax purposes. Consequently, gasoline includes gasohol.

For Colorado fuel tax purposes, diesel engine fuel, kerosene, liquefied petroleum gas, and natural gas are not gasoline. Instead, they are special fuels that are subject to Colorado fuel tax as described in the following section.

Special fuels

Diesel engine fuel, kerosene, liquefied petroleum gas, and natural gas are special fuels that may be subject to Colorado fuel tax. Colorado fuel tax applies to special fuels if they are used to power motor vehicles that are required to be licensed for operation on public highways in Colorado.

Dyed diesel and kerosene

Diesel fuel and kerosene that has been dyed under the rules of the U.S. Environmental Protection Agency (EPA) or the Internal Revenue Service (IRS) is exempt from Colorado fuel tax. Diesel fuel and kerosene are presumed to be imported, removed from a terminal, or acquired for a taxable purpose unless the fuel has been dyed. Please see Appendix D of this publication for additional information regarding the exemption for dyed diesel.

Tax-exempt purchasers

In general, Colorado fuel tax does not apply to gasoline and special 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 this publication for additional information regarding the exemption for governmental entities.

Gasoline and special fuels purchased by certain air carriers and commercial airlines are also exempt from Colorado fuel tax. Please see Appendix A of this publication for additional information regarding these exemptions.

Exported fuel

Fuel removed from a terminal by a licensed exporter exclusively for delivery to another state is exempt from Colorado fuel tax.

Refunds available for certain fuel uses

In addition to the exemptions discussed above, a fuel user may be able to claim a refund for certain uses of taxed fuel. Distributors may not, however, sell fuel tax-free, except as discussed above and in Appendices A, D, and E of this publication. Please see Department publication *Fuel Tax Topics: Fuel Users* for additional information about refund claims for certain fuel uses.

Additional resources

The following is a list of statutes and guidance pertaining to taxable fuels and exemptions. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Forms & Instructions*
- *Fuel Tax Guidance Publications*
- *Fuel Tax Topics: Fuel Users*

Part 2: Fuel Tax Licensing

A fuel tax license is required to act as a distributor, supplier, terminal operator, importer, exporter, carrier, or blender of gasoline or special fuel in Colorado. A licensee may be required to obtain multiple types of licenses, depending on the types of activities they perform. Any person or legal entity must apply for and obtain a fuel tax license before engaging in any of the activities that require licensure. Civil and criminal penalties apply if anyone engages in any of these activities without the proper license.

This Part 2 provides information regarding fuel tax licenses, licensing applications, and penalties imposed for failure to comply with licensing requirements.

Distributor licenses

Several different types of activities are included in the statutory definition of a "distributor." In general, distributors include, but are not limited to, anyone who sells, acquires, imports, or produces gasoline or special fuel and may also include anyone providing fuel for a private commercial fleet. In certain cases, even a user of gasoline or special fuel may be deemed to be a distributor and subject to the licensing and reporting requirements discussed in this publication.

Anyone who falls within this definition is required to obtain a distributor license. Depending on the types of activities a distributor performs, they may also be required to obtain one of the other licenses discussed later in this publication.

Fuel sales and acquisition

Every broker of gasoline or special fuel and anyone who sells special fuel to another distributor, broker, or vendor is a distributor. Additionally, anyone who acquires gasoline or special fuel from a supplier, importer, blender, or another distributor for the subsequent sale and distribution by tank cars, tank trucks, or both is a distributor.

Private commercial fleets

Anyone who contracts with a private commercial fleet operator to be a distributor on the operator's behalf is a distributor. If the private commercial fleet operator has not contracted with a distributor, the operator is considered a distributor in either of the following situations:

- The private commercial fleet operator uses natural gas from a public utility and the public utility is not a distributor with respect to the sale of natural gas to the operator; or
- The private commercial fleet operator uses liquefied petroleum gas (LPG).

Please see Appendix C and Appendix G of this publication for additional information regarding compressed natural gas (CNG) and LPG, respectively.

Fuel importation and production

Anyone who refines, manufactures, produces, compounds, blends, or imports special fuel or gasoline is a distributor and must also obtain the specific license(s) for these activities, discussed later in this publication.

LPG and natural gas vendors

Any vendor of liquefied petroleum gas or natural gas may also be considered a distributor. A public utility that sells LPG or natural gas through an alternative fuel fueling facility, either to governmental entities or the public, is a distributor, but only with respect to those sales. Under certain conditions discussed later in this publication, LPG retailers who do not sell LPG for use in motor vehicles are exempt from licensing requirements.

Please see Appendix C and Appendix G of this publication for additional information regarding compressed natural gas (CNG) and LPG, respectively.

Other types of licenses

Anyone who acts as a supplier, terminal operator, importer, exporter, carrier, or blender of gasoline or special fuel in Colorado must first apply for and obtain the appropriate license(s), as discussed below.

Supplier

A supplier license is required for anyone who owns and stores gasoline or special fuel in a pipeline terminal, terminal, or refinery in or outside of Colorado for sale or use within or outside the boundaries of Colorado.

Terminal operator

A terminal operator license is required for anyone who, by ownership or contractual agreement, controls the operation of a terminal. A terminal is any gasoline or special fuel storage and distribution facility that is supplied by a pipeline or refinery, or a tank farm, from which gasoline or special fuel may be removed for distribution. A storage and distribution facility operated by a refiner and supplied by a railcar is also a terminal.

Carrier

A carrier license is required for anyone, including a railroad operator, who transports gasoline or special fuel from a terminal located in Colorado. A carrier license is also required for anyone who transports gasoline or special fuel imported into Colorado and who does not own the gasoline or special fuel. However, a carrier license is not required to transport gasoline or special fuel by pipeline or for any transfer of gasoline or special fuel by railcar from a refinery to a terminal operated by the refiner.

Importer

An importer license is required for anyone who imports gasoline or special fuel into Colorado from another state by pipeline, by railcar from a refinery to a terminal operated by the refiner, or by truck or rail transport load.

Exporter

An exporter license is required for anyone who acquires gasoline or special fuel in Colorado exclusively for delivery to another state in which he or she is licensed.

Blender

A blender license is required for anyone who produces blended gasoline or blended special fuel outside of the distribution system for gasoline and special fuel consisting of refineries, pipelines, and terminals. Blended gasoline is any mixture of taxable or tax-exempt gasoline with any other liquid on which Colorado fuel tax has not been imposed. Blended special fuel is any mixture of taxable or tax-exempt special fuel with any other liquid on which Colorado fuel tax has not been imposed, but does not include special fuel that has been dyed in accordance with federal regulations.

Refiners

Anyone who produces, refines, prepares, distills, or manufactures gasoline or special fuel in Colorado is a fuel refiner. Fuel refiners are generally required to obtain both a distributor license and a supplier license. Fuel refiners may also be required to obtain other types of fuel tax licenses, depending on the activities they perform.

License application

A prospective licensee may apply for licensure through *Revenue Online*. The Department will reject any application that is not properly completed or is submitted without the required attachments or fees. Fuel licenses, once issued, are valid until surrendered, suspended, or revoked.

A separate license must be obtained for each established branch office or location and must be conspicuously displayed at the location to which it applies. The application fee is $10, plus $5 for each additional location.

In completing the application, a prospective licensee must indicate all fuel types they expect to handle and all licensed activities they plan to perform. Licenses issued by the Department will indicate the fuel types and license categories the license covers. If a licensee intends to expand their operation to include other fuel types or activities not indicated on their original application, the licensee must complete and submit an amended application. Once the amended application has been reviewed, processed, and approved, the Department will issue a revised license reflecting the additional license categories.

The review, processing, and approval of an application and the issuance of a license can take four to six weeks. An applicant may not commence any activity requiring licensure until they have received a license.

Business closures and ownership changes

Fuel licenses are issued in the name of the applicant and cannot be transferred to any other person or legal entity. Anyone who purchases an existing business from a licensee must apply for a new license. If the licensee is a publicly traded company, a new license is not required for transfers of stock in the company, but notification may be required, as described below.

When any licensee ceases all licensed activities by reason of discontinuance, sale, or transfer of the licensee's business at any location, the licensee must notify the Department in writing at the time the discontinuance, sale, or transfer takes effect. At such time, the licensee must complete all of the following steps:

- file a final fuel tax return;
- pay all taxes, fees, penalties, and interest due; and
- surrender all licenses to the Department with the notification.

For any ownership change other than the transfer of stock in a publicly traded company, a new application must be submitted to the Department along with the applicable attachments and fees. If a change in ownership structure requires a new Federal Employer Identification Number (FEIN), a new application must be filed with the Department.

If the licensee is a publicly traded company, any person or legal entity acquiring an equity interest holding of 10% or more in the licensee must notify the Department of the acquisition, in writing, within 30 days. Any change in ownership or equity amounting to 10% within a 12-month period will require written notification to the Department within 30 days.

Exceptions from licensing requirements

Certain governmental entities and retailers selling liquefied petroleum gas (LPG) may be exempt from fuel tax licensing requirements if certain conditions are met.

Governmental entities

In general, a governmental entity that holds an exemption certificate issued by the Department may, without having obtained a distributor's license, sell fuel to another governmental entity that also has an exemption certificate, so long as the fuel is used exclusively by the purchaser in performing its governmental functions and activities. The licensing exemption does not apply to intergovernmental sales in excess of 500 gallons in a single transaction unless required for unusual, unforeseen, or emergency circumstances.

The government entity selling the fuel is required to keep a copy of the fuel tax exemption certificate of any governmental entity to which it sells fuel. If a governmental entity provides fuel to anyone other than another governmental entity holding an exemption certificate, it must obtain a distributor's license, remit any applicable tax, and file monthly returns.

A governmental entity may apply for an exemption certificate by completing and submitting an *Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241)*. Exemption certificates may be issued only to 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.

Certain LPG retailers

An LPG retailer who does not sell LPG for use in motor vehicles is not required to obtain a distributor's license if both of the following conditions are met:

1) The retailer completes and submits an *Affidavit for Retail Sales of Liquefied Petroleum Gas (DR 1501)* to the Department of Revenue; and
2) The retailer conspicuously posts at the distribution point a sign indicating that the LPG is not for sale for use in motor vehicles.

An LPG retailer that meets the above conditions is nonetheless required to obtain the applicable license(s) to perform any of the other licensed activities listed earlier in this publication.

Penalties

Anyone who acts as a distributor, supplier, terminal operator, importer, exporter, carrier, or blender of gasoline or special fuel in Colorado without the applicable license is guilty of a misdemeanor. Each day of operation without a license is considered a separate offense.

The following civil penalties may be imposed on anyone who operates in this state without the applicable fuel tax license:

- $5,000 fine for the first violation;
- $10,000 fine for the second violation;
- $15,000 fine for a third or subsequent violation.

If the Department discovers anyone operating without the required license, it may require immediate payment of the tax and all applicable civil penalties and may detain the shipment until payment is collected.

Additional penalties may be imposed for blending fuel in Colorado without a blender license. Please see Appendix D for additional information.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to fuel tax licensing requirements. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-104, C.R.S. License and deposit – exception – repeal.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.

Forms and guidance

- *Fuel Tax Licensing*
- *Fuel Tax Forms & Instructions*
- *Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241)*
- *Affidavit for Retail Sales of Liquefied Petroleum Gas (DR 1501)*

In general, fuel tax is imposed on gasoline and special fuel acquired, sold, imported, or used in Colorado. The imposition of the tax and the party liable for the tax varies depending on multiple factors, including the type of tax. Fuel tax rates also vary by tax type. In addition to the tax, certain fees are imposed on motor fuels in Colorado. This Part 3 provides information regarding the imposition of fuel taxes, surcharges, and fees.

Imposition of tax

The imposition and calculation of fuel tax vary depending on the type of fuel and other factors. There are special rules regarding the imposition of tax on natural gas and liquefied petroleum gas (LPG). Please see Appendix C and Appendix G of this publication for information about the imposition of fuel tax on compressed natural gas (CNG) and LPG, respectively.

Except for tax on LPG, fuel tax is imposed on any taxable fuel acquired in, sold in, imported into, removed from any terminal in, or used in Colorado. Any distributor who acquires, sells, imports, or removes fuel from a terminal is generally required to pay the tax, but the tax is required to be paid only once upon the same gasoline or special fuel.

Fuels transferred from a terminal

In the case of taxable fuel removed from a terminal, the person first receiving the gasoline or special fuel at the terminal must pay the tax, even if that person is also the supplier. In the case of taxable fuel removed from a terminal by a common carrier, the distributor who owns the fuel must pay the tax on the amount of fuel shipped from the terminal, measured in gallons, as shown by the terminal manifest. Distributors acquiring blended gasoline or blended special fuel at a terminal rack are liable for tax on the entire volume, including the blend components, which upon blending have become gasoline or special fuel.

When fuel is sold by a supplier (position holder) to a licensed distributor or exporter as it is being withdrawn from a terminal and loaded into a cargo tank or railcar, the purchaser is the distributor who is first receiving the fuel. In that case, the purchaser is liable for, and must report and pay, the tax. In the case of multiparty "flash sales" occurring at the rack, the Department will regard the position holder listed by the terminal operator on disbursement schedule 15B of the Terminal Operator Report as the "supplier," and the supplier's customer as the "purchaser." If the purchaser is not a licensed distributor, a user who is deemed to be a distributor and licensed under section 39-27-102(2)(a), C.R.S., or a licensed exporter, the supplier is the distributor and first recipient of the fuel and must report and pay the tax upon removal.

Fuel tax imposed in other situations

Colorado law prescribes the imposition of fuel tax in other situations that do not involve the removal of fuel from a terminal. Please see the following appendices to this publication for additional information:

- Importation of fuel into Colorado – Appendix F
- Fuel transfer by refiners – Appendix H
- Fuel blenders – Appendix B
- Compressed natural gas (CNG) – Appendix C
- Liquefied petroleum gas (LPG) – Appendix G

In any case where a distributor acquires taxable fuel for which Colorado fuel tax has not previously been paid, that distributor must pay the tax.

For situations in which fuel users may be required to remit fuel tax directly to the Department, please see Department publication *Fuel Tax Topics: Fuel Users*.

Tax-exempt fuel sales

If an exemption applies, a distributor may sell fuel without paying the otherwise applicable tax. A distributor who acquires tax-paid fuel from another licensed distributor may, nevertheless, sell the fuel on an untaxed basis and claim credit for the tax paid by the prior distributor. The manifest, bill of lading, invoice, or other similar document issued by the supplier, importer, or distributor must state that the fuel was sold tax-free.

With each tax-free sale of gasoline or special fuel, the distributor must secure evidence that the user is exempt from Colorado fuel tax. The distributor has the burden of proving that gasoline sold untaxed is exempt from Colorado fuel tax.

Please see Appendix A, Appendix D, and Appendix E of this publication for information about exemptions relating to aviation fuel, dyed diesel and kerosene, and governmental entities, respectively.

Liability for the tax

Any applicable fuel tax is a debt owed to the State of Colorado. Whoever is subject to the tax must remit it to the Department as prescribed by law regardless of whether or when they receive payment for the amount of any invoice for the sale of the fuel including the tax thereon. The State of Colorado and the Department have a lien to secure the payment of the fuel taxes, penalties, and interest. The lien applies to all the assets and property of the distributor who owes tax, including the stock in trade, business fixtures, and equipment owned or used by the distributor in the conduct of his business.

Fuel tax rates

Fuel tax is imposed on a per-gallon basis. The fuel tax rates for certain fuels are shown in the following table. For the purpose of calculating tax on the fuels listed in the table, one gallon of fuel is equal to 231 cubic inches measured at storage or metered temperature. The rates in the following table apply on and after January 1, 2019.

Tax Per Gallon of Fuel

Fuel Type	*Tax Rate*
Gasoline and gasohol motor fuel	22 cents
Diesel engine fuel	20.5 cents
Aviation gasoline	6 cents
Aviation jet fuel	4 cents
Liquefied natural gas (LNG)	12 cents

Please see Appendix C and Appendix G of this publication for information about the calculation of fuel tax for CNG and LPG.

Fees imposed by Senate Bill 21-260

Senate Bill 21-260 established two new fees imposed on certain fuels acquired, sold, offered for sale, or used in Colorado: the bridge and tunnel impact fee and the road usage fee. These fees are imposed at the same time and manner as the fuel tax. The distributor who is liable for the fuel tax is also liable for the fees. Please visit *Fuel Fees & Surcharges* for information about the fee rates.

Beginning July 1, 2022, the bridge and tunnel impact fee is imposed on each gallon of diesel engine fuel or kerosene acquired, sold, offered for sale, or used in Colorado, with certain exceptions discussed below. The bridge and tunnel impact fee does not apply to gasoline.

Beginning April 1, 2023, a road usage fee is imposed on each gallon of gasoline, diesel engine fuel, or kerosene acquired, sold, offered for sale, or used in Colorado, with certain exceptions discussed below.

Exemptions

The bridge and tunnel impact fee and road usage fee do not apply to any of the following fuels:

- Compressed natural gas (CNG);
- Liquefied natural gas (LNG);
- Liquefied petroleum gas (LPG);
- Aviation fuels (including Avgas and jet fuel);
- Tax-exempt dyed diesel kerosene (see Appendix D);
- Fuel removed from a terminal by a licensed exporter exclusively for delivery to another state; and
- Fuels purchased by tax-exempt governmental entities for tax-exempt use (see Part 1 of this publication).

Other surcharges and fees

Along with fuel tax and the fees discussed above, the Department administers the following surcharge and fees:

- The environmental response surcharge (ERS);
- The perfluoroalkyl and polyfluoroalkyl substances (PFAS) fee;
- The liquefied petroleum gas (LPG) and natural gas inspection fee; and
- The fuels impact reduction fee.

The surcharge and fees are discussed at greater length below and are imposed on the following purchasers, manufacturers, and distributors:

- Every first purchaser of odorized liquefied petroleum gas;
- Every manufacturer of fuel products for sale within Colorado;
- Every manufacturer who ships fuel products from outside of Colorado to a distributor in Colorado; and
- Every distributor who ships fuel products into Colorado from anywhere outside of the state.

The rates for the surcharge and fees are adjusted over time. Please visit *Fuel Tax & Fee Rates* for information about the current rates.

LPG and natural gas inspection fee

The LPG and natural gas inspection fee applies to all LPG, liquefied natural gas (LNG), and compressed natural gas (CNG). The fee applies regardless of the manner in which these fuels are used, except that it does not apply to fuel that is especially prepared and sold for use in aircraft, railroad equipment, or locomotives.

Environmental response surcharge (ERS)

The ERS applies to gasoline, blended gasoline, gasoline sold for gasohol production, gasohol, diesel, biodiesel blends, special fuels including kerosene, and special fuel mixes with alcohols. The ERS applies regardless of the manner in which these fuels are used, except that it does not apply to fuel that is especially prepared and sold for use in aircraft, railroad equipment, or locomotives.

PFAS fee

The PFAS fee applies to all gasoline, diesel, biodiesel, biodiesel blends, kerosene, and all alcohol blended fuels that are produced, compounded, and offered for sale or used for the purpose of generating heat, light, or power in internal combustion engines or fuel cells, for cleaning, or for any other similar usage. The PFAS fee does not apply to fuel that is used in aviation or odorized liquefied petroleum gas and natural gas.

Fuels impact reduction fee

On and after September 1, 2023, the fuel impact reduction fee applies to all gasoline, diesel, biodiesel, biodiesel blends, kerosene, and all alcohol blended fuels that are produced, compounded, and offered for sale or used for the purpose of generating heat, light, or power in internal combustion engines or fuel cells, for cleaning, or for any other similar usage. The reduction fee does not apply to fuel that is used in aviation or odorized liquefied petroleum gas and natural gas.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to fuel taxes, surcharges, and fees. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-105.5, C.R.S. Lien to secure payment of taxes – exemption – recovery.
- § 8-20-206.5, C.R.S. Environmental response surcharge - liquefied petroleum gas and natural gas inspection fund - perfluoroalkyl and polyfluoroalkyl substances cash fund - hazardous materials infrastructure cash fund - fuels impact reduction grant program - definitions.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Forms & Instructions*
- *Fuel Tax Guidance Publications*
- *Fuel Fees & Surcharges*
- *Fuel Tax & Fee Rates*
- *Fuel Tax Topics: Fuel Users*

Everyone who is required to obtain a fuel tax license must file returns and remit tax on a monthly basis. In addition to the regular monthly filing requirements, diverted fuel shipments must also be reported under certain circumstances. Taxpayers must maintain appropriate records relating to the determination of fuel taxes. This Part 4 discusses filing, remittance, and recordkeeping requirements applicable to Colorado fuel taxes.

Filing and remittance

Everyone who is required to obtain a fuel tax license must file returns and remit tax on a monthly basis or more frequently if required by the Department. Every licensee must file monthly returns detailing all fuel acquisitions and disbursements, regardless of whether any tax is due. Licensees must file their returns electronically through *Revenue Online*.

The reporting scheme generally follows the total accountability model prescribed by the Federation of Tax Administrators. The purpose of this model is to account for all fuel movement. The model is used by numerous states to reduce evasion and foster international information sharing.

All distributors must file the Fuel Distributor Tax Return (DR 7050/7055/7056), including itemized schedules of all fuel acquisitions and disbursements during the month. Although blend components are not subject to tax until they are blended with gasoline or special fuel, all acquisitions of blend components must be reported on the return, along with any inventory of blend components on hand at the end of every month. Additionally, licensed carriers and third-party transporters who transport fuel for other entities must file each of the following:

- Fuel Carrier Return (DR 7006)
- Fuel Terminal Operator Return (DR 0720)

For additional information, please see *Fuel Tax Filing Information*.

Due dates

The monthly return and payment of tax, surcharge, and fees are due by the 26th day of the following month. For example, the return reporting fuel transactions occurring during the month of July must be filed by August 26th. If the due date falls on a Saturday, Sunday, or other legal holiday, the tax report and payment will be due on the next business day.

Allowances in determining tax due

The tax-liable distributor may claim certain deductions in determining the tax due for the filing period.

First, the tax-liable distributor may claim a deduction with respect to taxable fuel removed from a terminal. From the total amount of taxable fuel acquired during the filing period, the tax-liable distributor may deduct an allowance to cover losses in transit and unloading the fuel. For tax periods beginning before January 1, 2027, the allowance is 2% of the total amount of taxable fuel. For tax periods beginning on or after January 1, 2027, the allowance is 1.5%. The deduction is allowed regardless of whether the terminal is inside or outside of Colorado. However, the deduction is not allowed for LPG or in any case where the tax is imposed on the bulk transfer of taxable fuel by pipeline or by railcar from a refinery to a terminal operated by the refiner.

Next, from the amount of tax calculated with the applicable rate (see Part 3 of this publication), the tax-liable distributor may deduct an allowance of 0.5% of the tax due to cover expenses of payment of the tax and bad debt losses. However, this allowance generally is not allowed if the licensee is delinquent in remitting the tax.

These deductions do not apply to the environmental response surcharge, the perfluoroalkyl and polyfluoroalkyl substances (PFAS) fee, and the liquefied petroleum gas and natural gas inspection fee.

Late filing and/or payment

A penalty is imposed for the late filing of a required return or the late payment of the tax due. If a taxpayer both files and pays the tax due after the due date, only the larger of the two penalties, for late filing or late payment, will be due.

A penalty of $100 is due if a person does not file a required return by the applicable due date.

If any person fails to pay the tax when due that person will owe a penalty of the greater of either $30 or 10% of the tax due plus 0.5% per month from the date when due, not to exceed a total of 18%.

In addition to any applicable penalties, interest is imposed if any person does not pay the tax due by the prescribed due date. Interest accrues on any late payment of tax from the original due date of the tax to the date the tax is paid. The rate of interest accrual depends on the calendar year(s) over which the deficiency continues. Additionally, a discounted rate is allowed if:

- the distributor pays the tax in full prior to the issuance of a notice of deficiency;
- the distributor pays the tax in full within 30 days of the issuance of a notice of deficiency; or
- within 30 days of the issuance of a notice of deficiency, the distributor enters into an agreement to pay the tax in monthly installments.

The discounted and non-discounted, regular interest rates for recent years are listed in the following table.

Annual Interest Rates

Calendar year	*Discounted rate*	*Regular rate*
2023	5%	8%
2024	8%	11%
2025	9%	12%
2026	8%	11%
2027	7%	10%

Failure to file a correct return

If any person fails or refuses to file or if a person files an incorrect or fraudulent return, the Department may estimate the tax due based upon the best information available and issue a notice of deficiency. The notice of deficiency shall include the estimated tax, a penalty equal to 30% of the estimated tax, and interest on the estimated tax. The taxpayer may protest and appeal the notice as described in Part 5 of this publication.

Any person who willfully fails or refuses to file a required return or who willfully files a false return may also be subject to criminal penalties.

Recordkeeping

Licensees must comply with recordkeeping requirements with respect to all fuel transactions. Licensees must keep and preserve all books, accounts, and records necessary to correctly determine the tax due for at least three years. All the books, accounts, and records must be made available to the Department for inspection at any time. Local government officials investigating fuel tax violations may also inspect a licensee's records following a written request. Additional recordkeeping requirements apply with respect to certain activities and licensees.

Distributors

Every distributor must keep a true and complete record of all purchases, acquisitions, sales, and distributions of each kind of fuel handled by the distributor. Each distributor must also keep a record of the total volume of sales and deliveries for each calendar month. Additionally, a distributor has the burden of proving the proper exemption of any fuel sold without payment of tax and must secure and retain evidence of the user's eligibility for the exemption.

A distributor must record each sale or transfer of special fuel upon a preprinted, serially numbered invoice, which must contain at least the following information:

- the name and address of the distributor;
- the name and Department of Revenue identification of the purchaser;
- the date of sale or transfer; and
- the amount of special fuel sold, price per unit volume, and total amount of the sale.

Tax-exempt fuel sales

With each sale of gasoline made without payment of tax, the distributor must secure and retain evidence that the user is exempt from Colorado fuel tax. The distributor has the burden of proving that gasoline sold untaxed is exempt from Colorado fuel tax.

Transportation

Anyone carrying, transporting, importing, or delivering fuel into or within Colorado shall keep true and correct records of fuel shipments for each calendar month.

Refiners and blenders

Every refiner or blender of gasoline in Colorado must maintain full and complete records of all purchases of whatever kind and of all crude runs, still charges, pumping operations, distillation processes, blending operations, treating operations, transfers of stock, invoices, and any other records as are necessary to determine the correct gallonage, and such additional information as the Department may require. Every refiner must keep a complete record of all sales made and copies of all refinery invoices.

Diversion reporting

In certain situations, diverted fuel shipments must be reported online at *Fueltrac.us* within 24 hours of the diversion.

If anyone other than a licensed distributor or supplier physically diverts all or any portion of a fuel shipment originally scheduled for delivery outside of Colorado to one or more locations within Colorado, they must report that shipment.

Additionally, if any licensed distributor or supplier diverts fuel for use or sale within Colorado after claiming such shipment as an export, they must report such diversion.

When diversion reporting is required, the following information must be reported for the diverted shipment:

- Carrier name and FEIN.
- Purchaser name and FEIN.
- Terminal Code where fuel was acquired and transportation mode.
- Original destination state and revised destination state.
- Document Number (Bill of Lading #) and date shipped.
- Type of fuel and gross, net, and billed gallons.

Anyone who violates diversion reporting requirements is subject to the following penalties:

- $5,000 fine for the first violation;
- $10,000 fine for the second violation; and
- $15,000 fine for the third or any subsequent violation.

If the Department discovers any violation of diversion reporting requirements, it may require immediate payment of the tax and all applicable civil penalties and may detain the shipment until payment is collected.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to filing, remittance, and recordkeeping for Colorado fuel taxes. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-104, C.R.S. License and deposit – exception – repeal.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.
- § 39-27-108, C.R.S. Penalty for failure to report or pay tax.
- § 39-27-110, C.R.S. Inspection of records.
- § 39-27-117, C.R.S. Filing with executive director – when deemed to have been made.
- § 39-21-113, C.R.S. Reports and returns – rule.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Filing Information*
- *Fuel Tax Guidance Publications*
- *Revenue Online*
- Fuel Distributor Tax Return (DR 7050/7055/7056)
- Fuel Carrier Return (DR 7006)
- Fuel Terminal Operator Return (DR 0720)
- *Tax Topics: Penalties and Interest*
- *Fueltrac.us*

Part 5: Refunds and Assessments

Licensees may claim refunds or credits under certain circumstances for previously paid fuel tax. Conversely, if a licensee has underpaid any tax, the Department may issue and assess the additional tax due. State law prescribes the period of time allowed for a licensee to claim a refund or credit and for the Department to issue an assessment. This Part 5 provides information regarding refund claims, assessments, and the period of time allowed by law for both.

Refunds and credits

Under certain circumstances, described below, licensees may claim a refund or credit for erroneously paid tax or for tax paid on fuel that is lost or destroyed. For information about refunds that may be claimed by users for purchases of tax-exempt fuel, please see Department publication *Fuel Tax Topics: Fuel Users*.

Refunds for fuel that is lost or destroyed

Distributors may claim a credit or refund for tax paid or accrued on gasoline or special fuel that is lost or destroyed by fire, lightning, flood, windstorm, explosion, accident, or other cause beyond the control of the distributor or transporter of the fuel. The loss or destruction may occur while the fuel is in transit or while it is being loaded or unloaded. A credit or refund is allowed only for fuel in quantities of 100 gallons or more lost or destroyed at any one time. A refund or credit for the previously paid tax is allowed to the distributor in control of the fuel at the time it is lost or destroyed regardless of whether it was that distributor or another person who previously paid the tax.

Within 30 days of the loss or destruction of the fuel, the distributor must notify the Department through their *Revenue Online* account and provide proof sufficient to establish the loss or destruction. The Department will issue a Letter of Credit for any qualifying loss or destruction that can be verified. The distributor may then claim a credit on their next return for the tax paid on the lost or destroyed fuel or may claim a refund by filing a completed *Excise, Fee and Fuel Claim for Refund (DR 0137E)*.

Refunds for erroneously paid tax

A licensee may claim a refund for any tax they erroneously paid as the result of a mistake of fact, law, or computation in preparing their return or calculating the tax. Refunds are allowed only for tax the licensee actually paid to the Department and may not be claimed by the licensee in any case where the user of the fuel is allowed a refund of the tax.

Licensees may claim a refund only by filing a completed *Excise, Fee, and Fuel Claim for Refund (DR 0137E)*, along with all required supporting documentation described in the form instructions. Any refund claim for erroneously paid tax must be filed with the Department within three years from the date of payment.

Credit for tax-exempt fuel

A distributor may claim a credit for tax the distributor establishes was previously imposed and paid on tax-exempt fuel properly sold on a tax-free basis, regardless of whether the tax was remitted to the Department by the distributor or another licensed distributor. Please see Part 1 of this publication for information about tax-exempt purchasers. If the credit exceeds the tax otherwise due with the return on which the credit is claimed, the distributor may claim a refund for the excess.

Assessments

If, upon examination of a filed return, the Department determines the correct amount of tax has not been paid, the Department will issue a notice of deficiency to the licensee. In general, the Department may issue such notice no later than three years after the return was filed or three years after the return was due, whichever is later. In the case of a false or fraudulent return with intent to evade tax, there is no limit on the time for the Department to issue a notice of deficiency.

If anyone fails or refuses to file a required return, the Department may estimate the tax due, based upon the information that may be available, including receipt, disbursement, or carrier information reported by another licensee. The Department will issue a written notice to the taxpayer of the estimated taxes due, along with any applicable penalty and interest. If a taxpayer does not file a required return, there is no limit on the time for the Department to estimate the tax due and issue a notice of the estimated tax due to the taxpayer.

Please see Part 4 for additional information about filing requirements, penalties, and interest.

Protests and appeals

A taxpayer who receives a notice of deficiency or notice of refund rejection may submit a written protest and request a hearing to dispute the notice. Any protest or request for hearing must be submitted within 30 days of the date of the notice. The protest or request for hearing must contain at least the following information:

- the taxpayer's name, address, and account number;
- the tax period(s) involved;
- the type and amount of tax in dispute; and
- a summary statement of the findings with which the taxpayer does not agree and the grounds upon which the taxpayer relies for the purpose of showing the tax is not due.

The protest or request for hearing must be signed by the taxpayer. A protest or request for hearing may be submitted online through *Revenue Online* or by mail or email in accordance with instructions included in the notice.

Additional resources

The following is a list of statutes, regulations, forms, and guidance relevant in refunds and assessments. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 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 – repeal.
- § 39-21-103, C.R.S. Hearings.
- § 39-21-104, C.R.S. Rejection of claims.
- § 39-21-107, C.R.S. Limitations.
- 1 CCR 201-1, Rule 39-21-103-1. Request for Hearing.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Forms & Instructions*
- *Fuel Tax Guidance Publications*
- *Excise, Fee and Fuel Claim for Refund (DR 0137E)*
- *Fuel Tax Topics: Fuel Users*

Appendix A: Aviation Fuels

Colorado fuel tax is imposed on aviation fuels. However, certain air carriers may purchase aviation fuel tax-free or claim a refund for tax they paid on aviation fuel. The tax applies generally to fuel used for the propulsion of nonturbo-propeller aircraft, nonjet engine aircraft, turbo-propeller aircraft, or jet engine aircraft. This Appendix A provides information regarding the imposition of tax on aviation fuels, the rates used for calculating the tax, and exemptions from the fuel tax.

Imposition of tax

Fuel tax is imposed on any taxable fuel acquired in, sold in, imported into, removed from any terminal in, or used in Colorado. Any distributor who acquires, sells, imports, or removes fuel from a terminal is generally required to pay the tax, but the tax is required to be paid only once upon the same gasoline or special fuel.

In the case of taxable fuel removed from a terminal, the person first receiving the gasoline or special fuel at the terminal must pay the tax, even if that person is also the supplier. In the case of taxable fuel removed from a terminal by a common carrier, the distributor who owns the fuel must pay the tax.

For additional information regarding the imposition of tax, please see Part 3 of this publication.

Tax rates

Colorado fuel tax 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 tax on fuel used for the propulsion of turbo-propeller or jet engine aircraft (jet fuel) is four cents per gallon or fraction thereof. In determining the tax, gallons must be measured at storage or metered temperature and one gallon is equal to 231 cubic inches.

Exemptions

Certain governmental entities and certain types of air carriers are exempt from Colorado fuel tax. A distributor may sell untaxed fuel to an exempt governmental entity or air carrier.

The manifest, bill of lading, invoice, or other similar document issued by the seller of tax-exempt fuel must state that it has been sold untaxed.

With each sale of gasoline made without payment of tax, the distributor must secure evidence that the user is exempt from Colorado fuel tax. The distributor has the burden of proving that gasoline sold untaxed is exempt from Colorado fuel tax.

In the event that tax was previously imposed and paid on fuel later sold to an exempt governmental entity or air carrier, the distributor may claim credit for tax paid. Please see Part 5 of this publication for additional information.

Exempt governmental entities

In general, any gasoline purchased by the United States or any of its agencies, the State of Colorado or any of its agencies, any Colorado town, city, county, city and county, school district, or other political subdivision is exempt from Colorado fuel tax if the gasoline is used exclusively by the governmental entity in performing its governmental functions and activities. Please see Appendix E of this publication for additional information about governmental entities.

Part 121 air carriers

Gasoline used by domestic or foreign Part 121 air carriers is exempt from Colorado fuel tax. For the exemption to apply, the Part 121 air carrier must satisfy all of the following requirements:

- It must be authorized to provide passenger and cargo air transportation services pursuant to the regulations of the Federal Aviation Administration and the U.S. Department of Transportation.
- It must conduct operations pursuant to 14 CFR 121 between any two points within the 48 contiguous states of the United States or within the United States and a specifically authorized point located outside the United States.
- It must conduct its operations using any of the following: a turbojet-powered airplane; an airplane having a passenger-seat configuration of more than nine passenger seats, excluding each crewmember seat; or an airplane having a payload capacity of more than 7,500 pounds.

For those air carriers that are certificated by the United States Department of Transportation for both Part 121 air carrier operations and Part 135 on-demand operations, the fuel used for the air carrier's Part 135 on-demand operations is not exempt from Colorado fuel tax. Part 135 on-demand operations are operations conducted for hire or compensation, on an on-demand basis, pursuant to 14 CFR 135, that do not meet the flight scheduled qualifications of a Part 135 commuter air carrier, in an aircraft with nine or fewer passenger seats and a payload capacity of 7,500 pounds or fewer.

Part 135 commuter air carriers

Gasoline used by domestic or foreign Part 135 commuter air carriers is exempt from Colorado fuel tax. For the exemption to apply, the Part 121 air carrier must satisfy all of the following requirements:

- It must be authorized to provide passenger and cargo air transportation services pursuant to the regulations of the Federal Aviation Administration and the U.S. Department of Transportation.
- It must conduct operations pursuant to 14 CFR 135, operating a minimum of five round trips per week on at least one route between two or more points according to the published flight schedules.
- It must conduct its operations using any of the following: (1) any airplane, other than a turbojet-powered airplane, that has a maximum passenger-seat configuration of nine seats or fewer and a payload capacity of 7,500 pounds or fewer; or (2) a rotorcraft.

Direct air carriers for public charters

Gasoline used by direct air carriers providing air transportation to authorized public charter operators pursuant to 14 CFR 380 is exempt from Colorado fuel tax. For the exemption to apply, the following requirements for the direct air carrier and the public charter operator must be met.

Direct air carriers

"Direct air carrier" means a person who provides or offers to provide air transportation and who has control over the operational functions performed in providing that transportation. A direct air carrier that provides air transportation services to a public charter operator as defined in subsection (24) of this section has a binding commitment to furnish air transportation to the public charter operator via a charter contract pursuant to 14 CFR 380.29 and shall actively provide such air transportation services to the public charter operator.

Public charter operators

Public charter operator must be a United States or foreign indirect air carrier authorized to engage in the formation of groups for transportation on public charters in accordance with 14 CFR 380. As an indirect air carrier, it must engage directly in air transportation operations and use the services of a direct air carrier for such transportation services. The public charters must be either one-way or round-trip charter flights performed by one or more direct air carriers that is arranged and sponsored by a public charter operator pursuant to 14 CFR 380.

Refund claims

In the case of taxed fuel acquired by an exempt air carrier, the air carrier may apply to the Department for a refund of the tax paid. For information regarding refund claims for exempt air carriers, please see Department publication *Fuel Tax Topics: Fuel Users*.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to aviation fuels. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-103, C.R.S. Refunds – penalties – checkoff – limits on collections.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Forms & Instructions*
- *Fuel Tax Guidance Publications*
- *Fuel Tax Topics: Fuel Users*

Appendix B: Fuel Blending

Anyone blending gasoline or special fuel in Colorado is subject to various requirements. Fuel blenders are required to obtain a fuel tax license, file monthly returns, remit tax on fuels they blend, and maintain appropriate records. Special requirements also apply to the blending of dyed diesel with biodiesel. Penalties may be imposed for failure to comply with any applicable requirements. This Appendix B discusses the requirements applicable to fuel blenders.

Fuel blenders

Anyone who produces blended gasoline or blended special fuel outside of the fuel distribution system for gasoline and special fuel consisting of refineries, pipelines, and terminals is a fuel blender. In general, blended gasoline and blended special fuel include any mixture of taxable or tax-exempt gasoline or special fuel with any other liquid that has not yet been taxed. However, tax-exempt fuel that has been dyed in accordance with federal regulations is not considered blended special fuel for Colorado fuel tax purposes.

Every fuel blender must obtain a blender license. Please see Part 2 of this publication for additional information about licensing requirements.

Tax imposed on blended fuel

In the case of blended gasoline or blended special fuel sold by the blender, the tax is imposed upon the blender at the time of sale. The tax is imposed upon the entire volume sold, including the volume of gasoline or special fuel and the volume of any blend components. If the blender establishes that tax was previously imposed and paid on the gasoline or special fuel, by the blender or by a licensed distributor from whom the blender acquired the fuel, the blender may claim a credit on their return for the amount of tax previously paid.

Blend components

Blend components are liquids upon which the excise tax is not imposed that are added, mixed, or blended with gasoline or special fuel thereafter becoming part of the taxable volume. Examples of blend components include alcohol, butane, ethanol, methanol, napthas, natural gasoline, pentanes, toluene, and xylene.

Biodiesel fuel, which can be used as a motor fuel in its pure form, is a special fuel and not a blend component even as B100 (i.e., pure, unblended biodiesel). As such, it is taxed like other special fuel upon removal from a terminal, acquisition, or import by a distributor, subject to the exceptions discussed above (i.e., the exception for import to a licensed terminal).

Although blend components are not subject to tax until they are blended with gasoline or special fuel, blenders must report all acquisitions of blend components, and their inventory of blend components on hand at the end of every month.

Blending of dyed diesel with biodiesel

A blender license is required to blend tax-exempt dyed diesel fuel with biodiesel fuel after withdrawal at a terminal rack or refinery rack. Dyed diesel fuel may be blended with biodiesel fuel after withdrawal at a terminal up to the maximum federally allowable blend. Such blended fuel is exempt from fuel tax, so long as it is 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.

Penalties

Anyone who blends dyed diesel with biodiesel without a license, fails to comply with blending requirements, or who misrepresents the amount of biodiesel fuel that is blended with dyed diesel fuel is subject to the following civil penalties:

- A $5,000 fine for the first violation;
- A $10,000 fine for the second or subsequent violation; and
- Revocation of any fuel tax license held by the offender for the third violation.

Recordkeeping

Fuel blenders are subject to certain recordkeeping requirements with respect to Colorado fuel taxes. Please see Part 4 of this publication for information about these requirements.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to fuel blenders. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-104, C.R.S. License and deposit – exception – repeal.

Forms and guidance

- *Biodiesel & Blended Fuel Tax*

Appendix C: Compressed Natural Gas

In general, Colorado fuel tax applies to compressed natural gas (CNG) used in motor vehicles in this state. In most cases, the tax is imposed when a distributor, vendor, or private commercial fleet operator places CNG into the fuel tank of a motor vehicle. Distributors, vendors, and fleet operators who are liable for the tax are subject to all licensing, filing, remittance, and recordkeeping requirements discussed in Part 2 and Part 4 of this publication. This Appendix B discusses special rules applicable to the fuel tax on CNG.

Taxable use and exemptions

In general, CNG is subject to Colorado fuel tax if it is used to power a motor vehicle on public roads in Colorado. Natural gas used for other purposes is not subject to Colorado fuel tax. Additionally, CNG supplied to the user at a residential home is exempt from Colorado fuel tax, even if it is used to fuel a motor vehicle.

Sales to distributors, vendors, or retailers

The sale of natural gas to distributors, vendors, or retailers who are not the end user is not subject to fuel tax. Distributors who sell natural gas exclusively to distributors, vendors, or retailers, and not to end users, are exempt from fuel tax filing and remittance requirements.

Imposition of tax and liability

Unlike other fuels which are typically taxed upon removal from a terminal, fuel tax on CNG is generally imposed when it is sold to the end user. The imposition of tax on CNG sold at public fueling stations and CNG used by private commercial fleets are discussed below. Please see Part 3 for information about the imposition of tax in other situations.

Public fueling stations

In the case of CNG sold at a public fueling station, the vendor, including any public utility that sells CNG through a fueling station, is liable for the tax on any CNG they place into the fuel tank of a motor vehicle. The vendor is considered a distributor for fuel tax purposes and is subject to all licensing, filing, remittance, and recordkeeping requirements discussed in Part 2 and Part 4 of this publication.

Private commercial fleets

CNG used by any private commercial fleet operator to power motor vehicles is subject to Colorado fuel tax. If the operator has contracted with a distributor to provide CNG for the fleet, the distributor is liable for the tax on any CNG placed into the fuel tank of a motor vehicle. If the operator has not contracted with a distributor, the operator is considered a distributor for fuel tax purposes and is subject to all licensing, filing, remittance, and recordkeeping requirements discussed in Part 2 and Part 4 of this publication.

Calculation of tax

The fuel tax on CNG is imposed at a rate of 18.3 cents per gallon or a fraction thereof. For any vendor who sells CNG at retail, 5.66 pounds (2.567 kilograms) of CNG is equal to one gallon. For any other distributor of CNG, the gallons of CNG for the purpose of determining the tax are measured in accordance with whichever of the following standards was the basis for the sale of the gas to the distributor:

- the volumetric reporting requirements from IRS Form 720, Quarterly Federal Excise Tax Return;
- the mass labeling requirements for gasoline equivalents in *Retail Natural Gas (CNG/LNG) Regulations 7 CCR 1101-16*, Section 3-3(d), promulgated by the Division of Oil and Public Safety; or
- the energy measure in the definition for gasoline gallon equivalent in *Retail Natural Gas (CNG/LNG) Regulations 7 CCR 1101-16*, Section 1-6, promulgated by the Division of Oil and Public Safety.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to CNG. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.
- *7 CCR 1101-16. Retail Natural Gas (CNG/LNG) Regulations*.

Forms and guidance

- *Compressed & Liquefied Gases*

Appendix D: Dyed Diesel and Kerosene

Diesel engine fuel and kerosene that have been indelibly dyed may be used for certain tax-exempt farming and construction purposes. This Appendix D provides information regarding dyeing requirements, tax-exempt uses, and the imposition of tax when dyed fuel is used for taxable purposes.

Dyed diesel and kerosene

In general, diesel engine fuel and kerosene are presumed to be taxable unless they have been indelibly dyed, pursuant to federal regulations, before or upon removal from a terminal. For the purpose of this requirement, a terminal may be any of the following:

- A gasoline or special fuel storage and distribution facility that is supplied by a pipeline or refinery;
- A storage and distribution facility operated by a refiner and supplied by a railcar; or
- A tank farm consisting of a collection of fuel storage tanks located at or appurtenant to any refinery or pipeline terminal from which gasoline or special fuel may be removed for distribution.

The terminal operator must ensure that tax-exempt special fuel is dyed before it leaves the terminal. Every seller thereafter must post a legible and conspicuous notice on any retail pump or other delivery facility where tax-exempt dyed fuel is sold stating, as applicable:

"DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE" or

"DYED KEROSENE, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE"

Please see *IRS Publication 510, Excise Taxes*, *IRS Publication 4941*, section 4082 of the Internal Revenue Code, and the federal regulations promulgated thereunder for additional information regarding federal requirements for dyed diesel.

Taxable use of dyed fuel

In general, tax-exempt dyed fuel may not be used in any motor vehicle that is required to be licensed for operation on public highways in Colorado. However, dyed fuel 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 fuel, 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.

For information about fuel tax filing and remittance by fuel users, please see Department publication *Fuel Tax Topics: Fuel Users*.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to dyed diesel and kerosene. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- 26 CFR § 48.4082-2(a). Diesel fuel and kerosene; notice required for dyed fuel.

Forms and guidance

- *Dyed Diesel*
- *IRS Publication 510, Excise Taxes*
- *IRS Publication 4941*
- *Fuel Tax Guidance Publications*
- *Fuel Tax Topics: Fuel Users*

Appendix E: Governmental Entities

In general, gasoline and special fuel may be sold to certain governmental entities without payment of tax. These governmental entities must obtain an exemption certificate from the Department to purchase fuel tax-free. This Appendix F discusses the requirements for fuel tax exemptions for governmental entities.

Governmental entities

The guidance in this Appendix F applies to 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.

Exemption certificates

A governmental entity listed above may apply for an exemption certificate by completing and submitting an *Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241)*.

Tax exemption for fuel use

Gasoline and special fuel purchased by the governmental entities listed above are exempt from Colorado fuel tax only if both the following conditions are met:

1) The fuel is used exclusively by the governmental entity in performing its governmental functions and activities; and
2) The fuel is used in machines owned or operated by the governmental entity.

A distributor may, without paying tax on the fuel, sell gasoline or special fuel to a governmental entity that holds a valid exemption certificate. The distributor has the burden of proving the proper exemption of the fuel and must retain evidence of the governmental entity's eligibility for the exemption. A distributor who acquires tax-paid fuel from another licensed distributor may, nevertheless, sell the fuel on an untaxed basis and claim a credit for the tax paid by the prior distributor. Please see Part 5 of this publication for information about claiming credit for tax-exempt fuel.

Every governmental entity that purchases tax-exempt diesel, natural gas, or liquefied petroleum gas must keep a true and complete record of all purchases. The records must indicate the kind of fuel consumed by motor vehicles operating in Colorado and the miles traveled by such vehicles, both within and outside this state.

The fuel tax exemption does not apply to fuel used by any private contractor performing services for a governmental entity.

Refund claims

If a tax-exempt governmental entity acquires fuel that has already been taxed, the governmental entity may apply for a refund by filing a completed *Fuel Tax Refund Claim (DR 7118)* with the Department. For additional information about refund claims for governmental entities, please see Department publication *Fuel Tax Topics: Fuel Users*.

Fuel sold by governmental entities

A governmental entity that holds an exemption certificate may, without having obtained a distributor's license, sell fuel to another governmental entity that also has an exemption certificate, so long as the fuel is used exclusively by the purchaser in performing its governmental functions and activities. The licensing exemption does not apply to intergovernmental sales in excess of 500 gallons in a single transaction unless required for unusual, unforeseen, or emergency circumstances.

The government entity selling the fuel is required to keep a copy of the fuel tax exemption certificate of any governmental entity to which it sells fuel.

If a governmental entity provides fuel to anyone other than another governmental entity holding an exemption certificate, it must obtain a distributor's license, remit any applicable tax, and file monthly returns.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to governmental entities. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102.5, C.R.S. Exemptions on tax imposed – ex-tax purchases.
- § 39-27-103, C.R.S. Refunds – penalties – checkoff – limits on collections.
- § 39-27-104, C.R.S. License and deposit – exception – repeal.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.
- § 39-27-110, C.R.S. Inspection of records.

Forms and guidance

- *Colorado Fuel Tax*
- *Fuel Tax Forms & Instructions*
- *Fuel Tax Guidance Publications*
- *Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241)*
- *Fuel Tax Refund Claim (DR 7118)*
- *Fuel Tax Topics: Fuel Users*

Appendix F: Fuel Importers

Fuel importers are subject to licensing, filing, and recordkeeping requirements. Under certain circumstances, fuel importers must remit fuel tax on fuel they import. This Appendix F provides information about fuel tax requirements for fuel importers.

Licensing requirements

Both a distributor license and an importer license are required for anyone who imports gasoline or special fuel into Colorado from another state by truck, rail, or pipeline. Additionally, carriers transporting fuel for an importer must obtain a carrier license. Please see Part 2 of this publication for additional information about licensing requirements and applications.

If the Department discovers anyone importing fuel without the required license, it may require immediate payment of the tax and all applicable civil penalties and may detain the shipment until payment is collected. Please see Part 2 of this publication for information about civil penalties that may be imposed for importing fuel without a license.

Filing requirements

Importers and any carriers transporting fuel for an importer must file returns on a monthly basis detailing all fuel acquisitions and disbursements, regardless of whether any tax is due. Additionally, importers and fuel carriers must report the diversion of all or any portion of a fuel shipment originally scheduled for delivery outside of Colorado to one or more locations within Colorado. Please see Part 4 of this publication for additional information regarding monthly filing and diversion reporting requirements.

Tax on imported fuel

In general, fuel tax is not imposed on the importation of fuel by pipeline to a terminal or refinery in Colorado if both the importer and the terminal operator or refinery hold valid Colorado fuel tax licenses.

However, an importer is liable for fuel tax at the time taxable fuel is first brought into Colorado from another state for sale, use, or storage in either of the following situations:

- The fuel is imported by any means other than pipeline, such as by tank truck or railcar that unloads the imported fuel into a bulk plant.
- The fuel is imported to a destination other than a terminal or refinery.

The tax will not apply when imported fuel is destined for and actually unloaded into a Colorado terminal operated by a licensed terminal operator. Importers will report such imports as schedule 6 disbursements on their Colorado Fuel Distributor Report (DR 7056) and must list a licensed Colorado terminal as the destination and a licensed terminal operator or supplier as the recipient or "buyer." Gasoline and special fuel imported by bulk transfer (i.e., by pipeline) into a terminal will be untaxed until removal.

In the event the tax is imposed at the time of importation, the importer must report and remit the tax with their monthly fuel tax return. Please see Part 3 and Part 4 of this publication for additional information about fuel tax imposition, filing, and remittance.

Recordkeeping

Fuel importers are subject to certain recordkeeping requirements with respect to Colorado fuel taxes. Please see Part 4 of this publication for information about these requirements.

Additional resources

The following is a list of statutes and regulations pertaining to fuel importers. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.

Appendix G: Liquefied Petroleum Gas

Fuel tax applies to any liquefied petroleum gas (LPG), including propane, used to power a motor vehicle on public roads in Colorado. Fuel tax does not apply to any other use of LPG. The sale of LPG to distributors, vendors, or retailers who are not the end user is not subject to fuel tax. This Appendix G discusses the imposition of tax on LPG used in motor vehicles, along with licensing, filing, remittance, and recordkeeping requirements.

Licensing and filing requirements

In general, a distributor license is required for anyone who sells, acquires, imports, or produces LPG in Colorado, including any vendor who sells LPG at retail for use in motor vehicles. Please see Part 2 of this publication for additional information regarding requirements and the application process for the various types of fuel tax licenses in Colorado.

LPG distributors and retailers selling LPG for use in motor vehicles are subject to the same filing and recordkeeping requirements as other fuel distributors. Please see Part 4 of this publication for additional information regarding filing and recordkeeping.

Exemption for certain LPG retailers

An LPG retailer who does not sell LPG for use in motor vehicles is not required to obtain a distributor's license if both of the following conditions are met:

1) The retailer completes and submits an *Affidavit for Retail Sales of Liquefied Petroleum Gas (DR 1501)* to the Department of Revenue; and

2) The retailer conspicuously posts at the distribution point a sign indicating that the LPG is not for sale for use in motor vehicles.

An LPG retailer that meets the above conditions is nonetheless required to obtain the applicable license(s) to perform any of the other licensed activities listed in Part 2 of this publication, including importing or exporting LPG.

Tax imposition and liability

Unlike other fuels, which are typically taxed upon removal from a terminal, fuel tax on LPG is most often imposed when it is sold to the end user. The imposition of tax on LPG sold at public fueling stations, LPG used by private commercial fleets, and LPG used by cargo tank motor vehicles is discussed below. Please see Part 3 of this publication for information about the imposition of tax in other situations.

LPG is also subject to the LPG and natural gas inspection fee. Please see Part 3 of this publication for information about the fee.

Public fueling stations

In the case of LPG sold at a public fueling station, the vendor, including any public utility that sells LPG through a fueling station, is liable for the tax on any LPG they place into the fuel tank of a motor vehicle. The vendor is considered a distributor for fuel tax purposes and is subject to all licensing, filing, remittance, and recordkeeping requirements discussed in Part 2 and Part 4 of this publication.

Private commercial fleets

LPG used by any private commercial fleet operator to power motor vehicles is subject to Colorado fuel tax. If the operator has contracted with a distributor to provide LPG for the fleet, the distributor is liable for the tax on any LPG placed into the fuel tank of a motor vehicle. If the operator has not contracted with a distributor, the operator is considered a distributor for fuel tax purposes and is subject to all licensing, filing, remittance, and recordkeeping requirements discussed in Part 2 and Part 4 of this publication.

Cargo tank motor vehicles

Fuel tax is imposed on LPG used for the propulsion of a cargo tank motor vehicle. A cargo tank motor vehicle is a motor vehicle with one or more cargo tanks permanently attached to or forming an integral part of the vehicle. A cargo tank is a tank that meets all of the following conditions:

1) It is intended primarily for the carriage of liquids, gases, solids, or semi-solids and includes appurtenances, reinforcements, fittings, and closures;

2) It is permanently attached to or forms a part of a motor vehicle, or is not permanently attached to a motor vehicle but that, by reason of its size, construction, or attachment to a motor vehicle, is loaded or unloaded without being removed from the motor vehicle;

3) It is not fabricated under a specification for cylinders, intermediate bulk containers, multi-unit tank car tanks, portable tanks, or tank cars; and

4) It is not primarily intended to provide fuel for the propulsion of the motor vehicle.

If a cargo tank motor vehicle draws LPG from its cargo tank for propulsion of the vehicle, tax is imposed on the LPG used. The tax imposed is computed upon an estimate of the total amount of LPG, measured in gallons, used to propel the cargo tank motor vehicle based on the number of miles that the vehicle traveled.

Calculation of tax

The fuel tax on LPG is imposed at a rate of 13.5 cents per gallon or a fraction thereof. For the purpose of calculating fuel tax on LPG, one gallon is a unit of 231 cubic inches measured at 60 degrees Fahrenheit.

Liability for the tax

Any applicable fuel tax is a debt owed to the State of Colorado. Whoever is subject to the tax must remit it to the Department as prescribed by law regardless of whether or when they receive payment for the amount of any invoice for the sale of the fuel including the tax thereon. Please see Part 4 of this publication for fuel tax remittance information.

The State of Colorado and the Department have a lien to secure the payment of the fuel taxes, penalties, and interest. The lien applies to all the assets and property of the distributor who owes tax, including the stock in trade, business fixtures, and equipment owned or used by the distributor in the conduct of his business.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to LPG. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-104, C.R.S. License and deposit.
- § 39-27-105.5, C.R.S. Lien to secure payment.

Forms and guidance

- *Compressed & Liquefied Gases*
- *Fuel Tax Forms & Instructions*
- *Affidavit for Retail Sales of Liquefied Petroleum Gas (DR 1501)*

Appendix H: Terminal Operators

Terminal operators in Colorado are subject to fuel tax licensing and filing requirements. Terminal operators are not required to remit fuel tax, except to the extent that they also act as a distributor. This Appendix H discusses certain requirements that apply specifically to terminal operators.

Licensing requirements

Terminal operators are required to obtain fuel tax licenses to operate in Colorado. Anyone who by ownership or contractual agreement controls the operation of a terminal is a terminal operator. The following types of locations are considered to be fuel terminals:

- A gasoline or special fuel storage and distribution facility that is supplied by a pipeline or refinery;
- A storage and distribution facility operated by a refiner and supplied by a railcar; or
- A tank farm consisting of a collection of fuel storage tanks located at or appurtenant to any refinery or pipeline terminal from which gasoline or special fuel may be removed for distribution.

Terminal operators are required to be licensed as such and may be required to obtain other types of fuel tax licenses, depending on the activities they perform. Please see Part 2 of this publication for additional information regarding fuel tax licensing requirements.

Dyed diesel and kerosene

In general, diesel engine fuel and kerosene are presumed to be taxable unless they have been indelibly dyed, pursuant to federal regulations, before or upon removal from a terminal. The terminal operator must ensure that tax-exempt special fuel is dyed before it leaves the terminal. Please see Appendix D of this publication for additional information about dyed diesel and kerosene.

Filing and recordkeeping requirements

Terminal operators are subject to the same fuel tax filing and recordkeeping requirements as other licensees. Please see Part 4 of this publication for information regarding filing and recordkeeping requirements.

Additional resources

The following is a list of statutes and regulations pertaining to terminal operators. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Anyone who has specific questions should consult with their tax advisor.

Statutes and regulations

- § 39-27-101, C.R.S. Definitions – construction.
- § 39-27-102, C.R.S. Tax imposed on gasoline and special fuel – deposits - penalties.
- § 39-27-104, C.R.S. License and deposit – exception – repeal.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel – rules – repeal.