

## Excise 5: Colorado Fuel Tax Licensing and Reporting

Colorado imposes an excise tax on aviation fuel, gasoline, and certain special fuels used to propel motor vehicles. The tax applies to fuels acquired, sold, offered for sale, or used in Colorado. Special fuels subject to the tax include diesel engine fuel, kerosene, liquefied petroleum gas (LPG), compressed natural gas (CNG), and liquefied natural gas (LNG), although special rules apply to LPG, which is commonly used for exempt purposes. Any person or legal entity must apply for and obtain a license before distributing, supplying, importing, exporting, carrying, or blending any fuels subject to fuel tax in Colorado. Licensees must report fuel transactions and remit tax as required by law and as described in this publication.

### WHO MUST BE LICENSED?

A license is required to distribute, supply, import, export, carry, or blend fuel or to operate a terminal in Colorado. The following table details the activities for which each category of licensure is required.

Licensing Category	Licensed Activities
<i>Distributor</i>	<ul style="list-style-type: none"> <li>– brokering sales of fuel, selling fuels to another distributor, broker, or vendor and selling and placing LPG, CNG, or LNG into the buyer’s receptacle or motor vehicle fuel tank</li> <li>– acquiring fuel from a supplier, importer, blender, or another distributor for the subsequent sale and distribution by tank cars, tank trucks, or both</li> <li>– refining, manufacturing, producing, compounding, blending, or importing fuel</li> <li>– contracting with a private commercial fleet operator to act as a distributor on the fleet operator’s behalf</li> <li>– using, as a private commercial fleet operator, CNG or LNG obtained from a public utility if the public utility is not itself a licensed distributor and the fleet operator has not contracted with a third party to act as a distributor on the fleet operator’s behalf</li> <li>– using, as a private commercial fleet operator, LPG if the operator has not contracted with a third party to act as a distributor on the fleet operator’s behalf</li> <li>– selling LPG and placing it into the purchaser’s fuel tank or receptacle from which a fuel tank is supplied</li> <li>– selling, by a public utility, fuel through an alternative fuel vehicle charging or fueling facility</li> </ul>
<i>Supplier</i>	– owning and storing fuel in a pipeline terminal, terminal, or refinery in or outside of Colorado for sale or use within or outside the boundaries of Colorado
<i>Importer</i>	– importing fuel in bulk or by transport load into Colorado from another state by truck, rail, or pipeline
<i>Exporter</i>	– acquiring fuel in Colorado exclusively for delivery to another state in which the exporter is licensed
<i>Carrier</i>	– transporting fuel that is not owned by the carrier into or out of Colorado or from a terminal
<i>Blender</i>	– blending fuel outside of a fuel distribution system consisting of refineries, pipelines, vessels, and terminals
<i>Terminal Operator</i>	– controlling, either by ownership or contractual agreement, the operation of a fuel storage and distribution facility that is supplied by a pipeline, vessel, or refinery, or a tank farm from which fuel may be removed for distribution

### Penalties

Any person or legal entity that engages in any of activities described in the preceding table without a license is subject to civil or criminal penalties, or both. Civil penalties, when applicable, begin at \$5,000 for the first violation and increase for subsequent violations.

## Exceptions from licensing requirements

Under certain circumstances, persons and legal entities performing some of the activities discussed above may be exempt from fuel tax licensing requirements. These exceptions apply to certain retailers of LPG and governmental entities, as described below.

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 on page 1 of this publication, including importing or exporting LPG.

A governmental entity that holds an exemption certificate may, without having obtained a distributor's license, sell fuel to another governmental entity that has an exemption certificate so long as the fuel is used exclusively by the purchaser in performing its governmental functions and activities. 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, collect any tax due, and file monthly reports. 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).

## FUEL TAX LICENSING

Any person or legal entity must apply for and obtain a license before distributing, supplying, importing, exporting, carrying, or blending any fuels subject to excise tax in Colorado. To obtain a license, a prospective licensee must complete and submit a Fuel Distributors License Application (DR 7064), along with all required attachments, the applicable license fees, and bond. 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. 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.

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. Fuel licenses are valid until surrendered, suspended, or revoked.

The Department will reject any application that is not properly completed or is submitted without the required attachments, bond, or deposit.

### Bond requirements

Along with their application, an applicant must submit a completed Fuel Distributors Bond (DR 7065). The required bond amount is equal to three times the applicant's estimated monthly tax liability for all fuels, subject to the following limitations. The minimum required bond amount is \$25,000, unless the only fuel to be handled by the applicant is LPG, in which case there is no minimum bond amount. The maximum required bond amount for any applicant is \$200,000. The required bond may be satisfied by a surety bond, a negotiable certificate of deposit issued by a commercial bank doing business in Colorado, or, in lieu of a surety bond, evidence of a savings account, deposit, or certificate of deposit meeting the requirements of § 11-35-101, C.R.S.

If, after issuance of a license, the Department finds that a licensee's combined tax liability for the preceding and current months exceeds the bond amount, the Department will send written notice to the licensee requiring an additional bond or negotiable certificate of deposit to secure payment of the greater tax liability. However, the aggregate amount of bond or deposit required will not exceed \$200,000.

The surety for any bond submitted as a condition of licensure may conditionally cancel the bond by providing written notice to both the licensee and the Department. However, the surety shall not be discharged of any liability accrued prior to or within 60 days after the written notice. Within 60 days of receiving written notice of cancellation from the surety, the licensee must provide a new surety bond or negotiable certificate of deposit to the Department to replace the canceled bond or else the license will be revoked. When the Department has received the new surety bond or

negotiable certificate of deposit and full payment of all liabilities covered by the cancelled bond, the Department will surrender the cancelled bond.

If a licensee maintains an active license for five consecutive years and is not, during that time, delinquent in the payment of any taxes, bond will no longer be required. If the licensee is delinquent in making any subsequent payment of tax, the Department may reinstate the bond requirement.

**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 report;
- 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, fees, and bond. 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 ten percent 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 ten percent within a 12-month period will require written notification to the Department within 30 days.

**FUEL TAXES AND FEES**

Except for tax on LPG, which is discussed on page 4 of this publication, or for fuel that is exempt, fuel tax is due on any fuel that is acquired, sold, offered for sale, or used in Colorado. A distributor must collect the tax from the purchaser of any fuel, unless the tax has been deferred. Up to three tax-deferred transactions are allowed between Colorado licensed distributors after the fuel has left the terminal of origin or entered Colorado, but the first or second distributor may elect, at their option, to collect and remit the tax. No more than three tax-deferred transactions are allowed. If more than three Colorado licensed distributors acquire the fuel, the third distributor is liable for the tax, unless it has been collected and remitted by a prior distributor.

Fuel tax is imposed on a per-gallon basis. Fuel tax rates vary by year and by fuel type.

*Tax per Gallon of Fuel*

Fuel type \ Year	2017	2018	2019 and later
Gasoline and gasohol motor fuel	22 cents	22 cents	22 cents
Diesel engine fuel	20.5 cents	20.5 cents	20.5 cents
Aviation gasoline	6 cents	6 cents	6 cents
Aviation jet fuel	4 cents	4 cents	4 cents
Compressed natural gas (CNG)	12 cents	15 cents	18.3 cents
Liquefied natural gas (LNG)	8 cents	10 cents	12 cents

**Other surcharges and fees**

In addition to fuel tax, all distributors who report the acquisition of fuel in Colorado must pay the environmental response surcharge and every distributor of LPG, LNG, or CNG must report and pay the liquefied petroleum gas and natural gas inspection fee. See FYI Excise 11 for additional information about the surcharge and fee.

## Liquefied petroleum gas (LPG) / propane

Fuel tax applies to any LPG, including propane, used to propel a motor vehicle on Colorado highways. Unlike other fuels, fuel tax is imposed on LPG only when it is placed in the fuel tank of a motor vehicle or used for the propulsion of a motor vehicle transporting the LPG in a cargo tank. Any vendor of LPG who places the LPG into the fuel tank of a motor vehicle or causes the LPG to be placed in the fuel tank of a motor vehicle must obtain a distributor's license, collect the tax from the purchaser at the time of the sale, file monthly reports, and remit the tax due. Any fleet operator who uses LPG, but has not contracted with a third party to act as a distributor on the fleet operator's behalf, must obtain a distributor's license, file monthly reports, and remit the tax due.

### *Tax per Gallon of Fuel*

Year	Rate
2017	9 cents
2018	11 cents
2019 and later	13.5 cents

The fuel tax on LPG is calculated on a per-gallon basis using a rate prescribed by law and reflected in the table above for the applicable year.

LPG that is not placed in a motor vehicle and is not used to propel a motor vehicle is not subject to fuel tax. However, all LPG, regardless of use, is subject to the liquefied petroleum gas and natural gas inspection fee. See FYI Excise 11 for additional information about the fee.

### Fuel tax exemptions

Fuel may be exempt from excise tax based either on the end user of the fuel or the type of use. Fuel that is exempt as described below can be sold without the collection and payment of fuel tax. Fuel tax must be collected and paid on any fuel that is not exempt as described below. If purchasers are using taxed fuel for purposes that qualify for exemption authorized by law, the purchaser can apply to the Department for a refund of the excise tax paid. See FYI Excise 7 for additional information regarding refund claims.

#### *Fuel sold to governmental entities*

Fuel tax does not apply to fuels sold by a licensed distributor to a governmental entity for use exclusively by the governmental entity in the performance of its governmental functions and activities. The exemption applies solely to fuel used in machines owned and operated by a governmental entity. Governmental entities eligible for the exemption include the United States, the State of Colorado, and any town, city, county, school district, or political subdivision of the State of Colorado. Governmental entities must apply for and receive an exemption certificate from the Department before they can purchase fuel tax exempt. Governmental entities can apply for an exemption certificate by completing the Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241).

Governmental entities can make tax-free purchases of fuel only from licensed distributors, not from regular commercial fueling stations serving the public. Any governmental entity that purchases fuel from such a station must pay the tax at the time of purchase and claim a refund for the tax paid. See FYI Excise 7 for information about refund claims.

#### *Dyed diesel fuel*

Fuel tax does not apply to diesel fuel dyed pursuant to federal law for exempt off-road use such as use for farming purposes. However, dyed diesel is not exempt from the environmental response surcharge described in detail in FYI Excise 11.

#### *Aviation fuel*

Fuel tax does not apply to aviation fuel sold to:

- scheduled air carriers or commuter airline operators that are exempt from the federal aviation fuel taxes;
- commercial airlines operating pursuant to 14 CFR 121, but fuel used for on-demand operations pursuant to 14 CFR 135 is not exempt;
- commuter air carriers operating pursuant to 14 CFR 135; or
- direct air carriers providing air transportation services to a public charter pursuant to 14 CFR 380.

See FYI Sales 57 for information about the collection and reporting of sales tax on aviation jet fuel.

## FILING AND REPORTING REQUIREMENTS

All fuel tax licensees must electronically report, on a monthly basis, all fuel transactions. Each monthly return must be filed through the Colorado Fuel Tracking System online at [cofts.com](https://cofts.com). Each applicant for fuel tax licensure must submit with their application a signed COFTS Electronic Trading Partner Agreement to register for use of the online system.

Each monthly report must include all of the following forms:

- Distributor Tax Return (DR 7050)
- Distributor Schedule of Receipts Worksheet (DR 7055)
- Distributor Schedule of Disbursements Worksheet (DR 7056)

Certain licensees may need to file additional forms with their monthly return. Any first purchaser of LPG must file an LPG Inspection Fee (DR 0129). Licensed fuel carriers and third-party transporters who transport fuel for other entities must file a separate informational report.

### Tax and allowances

The fuel tax, environmental response surcharge, and liquefied petroleum gas and natural gas inspection fee are all calculated upon the information included in the licensee's monthly report. In the calculation of fuel tax due, a 2% allowance is deducted from the total gallons of any fuel other than LPG shipped to a distributor from a terminal to cover any losses in transit and unloading, as well as the cost of tax collection. The licensee must make to each retailer to whom the licensee delivers fuel an allowance of 1% of the total gallons of fuel delivered. The 1% allowance must be shown on delivery invoices signed by the retailer.

From the tax calculated, an additional deduction of ½% is made to cover the licensee's expenses in the collection of the tax and any bad debt losses.

### Mandatory electronic payment of fuel taxes

Licensees must remit payment of fuel tax via electronic funds transfer (EFT). Each applicant for fuel tax licensure must submit an Authorization for Electronic Funds Transfer (EFT) for Tax Payments (DR 5785) with their application.

### Due dates

The monthly electronic filing and payment of tax, surcharge, and fees are due by the 26<sup>th</sup> day of the following month. For example, the return reporting fuel transactions occurring during the month of July must be filed by August 26<sup>th</sup>. 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. Any tax not paid by the applicable due date is subject to penalties and interest. See FYI General 11 for additional information regarding penalties and interest.

### Diversion reporting

Anyone who diverts all or any portion of a shipment of originally scheduled for delivery to a location outside of Colorado to one or more locations within Colorado must report it to the National Fuel Diversion Registry within 24 hours. Diversion reporting must be made online at [trac3.net](https://trac3.net). All licensees and third-party carriers are subject to diversion reporting requirements. The following information must be reported for any 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.

## RECORDKEEPING REQUIREMENTS

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. Additional recordkeeping requirements, based upon licensing category, are detailed in the following table.

### *Additional recordkeeping requirements for licensing categories*

Licensing category	Required records
<i>Distributor</i>	<ul style="list-style-type: none"> <li>– record of the total volume of sales and deliveries for each calendar month</li> <li>– record of all purchases, acquisitions, sales, and distributions of each kind of fuel</li> </ul>
<i>Supplier</i>	– records of shipments of gasoline for each calendar month
<i>Importer</i>	– records of shipments of gasoline for each calendar month
<i>Carrier</i>	– records of shipments of gasoline for each calendar month
<i>Blender</i>	<ul style="list-style-type: none"> <li>– records of all blended gasoline on hand, acquired, sold, used, or otherwise disposed of</li> <li>– 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</li> </ul>

## REFUND CLAIMS

Colorado law establishes rules under which either fuel distributors or users may claim refunds for previously paid fuel tax.

### Refund process for fuel licensees

Licensees may claim a fuel tax refund for the following reasons:

1. The tax was paid erroneously, due to a mistake of fact, law, or computation.
2. The tax was paid on fuel lost or destroyed by fire, lightning, flood, windstorm, explosion, accident, or other cause beyond the control of the licensee.

#### *Refunds for erroneously paid tax*

If a licensee makes a mistake of fact, law, or computation in preparing their return or calculating the tax due, the licensee can claim a refund for any resulting overpayment of fuel tax. Refunds are only allowed for tax the licensee actually paid to the Department. The Claim for Refund (DR 0137) must be submitted with all necessary supporting documentation. Supporting documentation includes the original delivery and receipt information, the applicable tax return, amended returns, receipts and disbursement schedules, and any other applicable documentation. A licensee must submit any claim for refund within three years of the date the tax was paid.

#### *Refunds for lost or destroyed fuel*

Licensees 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 licensee. Refund or credit is allowed only in the event of the loss or destruction of one hundred gallons or more of fuel at one time. To obtain a credit or refund, the licensee must, within 30 days of the loss or destruction, notify the Department and file with the Department a Claim for Refund (DR 0137) and documentation sufficient to verify the loss or destruction. Notification must include:

- the licensee’s name and address;
- an explanation of the loss or destruction, including the place and time it occurred; and
- the type and number of gallons of fuel lost or destroyed.

Documentation verifying the loss may include an accident report, insurance claim or report, or other applicable documentation.

### Exempt fuel use refunds

Consumers who use fuel for exempt purposes, such as to power farming equipment may qualify for a fuel tax refund. See FYI Excise 7 for more information about claiming refunds for the exempt use of fuel.

## ADDITIONAL RESOURCES

- *Colorado statutes and regulations*
  - § 39-27-101, et seq., C.R.S. Gasoline and special fuel tax
  - House Bill 15-1228 - Concerning tax on liquefied petroleum gas
  - § 11-35-101. C.R.S. Alternatives to surety bonds permitted
  - § 8-20-206.5, C.R.S. Environmental response surcharge
- *Colorado forms, publications, and guidance (available online at [Colorado.gov/tax](http://Colorado.gov/tax))*
  - Fuel License Application Booklet (DR 7064)
  - Fuel Distributors Bond (DR 7065)
  - Authorization for Electronic Funds Transfer (EFT) for Tax Payments (DR 5785)
  - Colorado Department of Revenue Electronic Funds Transferred (EFT) Program for Tax Payments (DR 5782)
  - Application for Fuel Tax Exemption Certificate for Government or Political Subdivision (DR 0241)
  - Gasoline/Special Fuel Tax Refund Permit Application (DR 7189)
  - Fuel Tax Refund Claim (DR 7118)
  - Claim for Refund (DR 0137)
  - FYI Excise 7 - Tax Refunds for Exempt Use of Fuel
- *Other resources*
  - Colorado Fuel Tracking System - [cofts.com](http://cofts.com)
  - Diversion reporting - [trac3.net](http://trac3.net)

---

FYIs represent a good faith effort to provide general information concerning a variety of Colorado tax topics in simple and straightforward language. By their nature, however, FYIs cannot and do not address all taxpayer situations nor do they provide a comprehensive overview of Colorado's tax laws. For this reason, FYIs are not binding on the Colorado Department of Revenue, nor do they replace, alter, or supersede Colorado law and regulations.

A taxpayer seeking additional guidance regarding the tax consequences of a particular transaction or factual scenario can request a Private Letter Ruling (PLR) or General Information Letter (GIL). Requests for PLRs and GILs must comply with certain requirements, which are currently set forth at 1 Code of Colorado Regulations 201-1, Regulation 24-35-103.5. PLRs are binding upon the Department only with respect to the specific taxpayer that requested the PLR. GILs are for informational purposes only and are not binding on the Department.