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Mission Statement:

The statutory mission of the Iowa Department of Revenue is to serve Iowans and support state government by collecting all taxes required by law, but no more.

Iowa Fuel Tax Refund Information



Who Collects and Remits the Tax?

Iowa fuel tax attaches when fuel is withdrawn from the terminal or imported into Iowa, with the tax sent to the Department at that time. Each subsequent sale will include the Iowa fuel tax, which is ultimately paid by the final consumer of the fuel. The only exceptions are if the product is dyed diesel, is being exported outside of Iowa, or is LPG, CNG or LNG, which are not taxable until their use as a vehicle fuel is determined.

LPG, CNG, and LNG: These fuels are not taxed until the use is determined. Tax attaches to LPG, CNG, and LNG when:

- The LPG or LNG is placed in a fuel supply tank of a motor vehicle or
- The CNG is delivered into equipment for compressing the gas for subsequent delivery into the fuel supply tank of a motor vehicle

Exemptions

Fuel sold for export to a person holding a valid Iowa exporters license is exempt from the fuel tax.

Dyed diesel fuel used for off-highway purposes is also exempt from fuel tax.

All other sales must include the Iowa fuel tax.

Refunds

If the final consumer of the fuel is eligible, they can claim a refund of the Iowa fuel tax they paid as part of their purchase.



*The largest
number of refund
claims are filed by
Other Political
Subdivisions, such
as cities, counties,
and public schools.*



Refunds

Iowa fuel tax refunds are allowed in the following situations:

Agricultural Production

Farmers, ranchers, greenhouses, and other similar businesses using motor fuel or undyed diesel fuel in agricultural or livestock production.

Federal Government

The United States, its agencies and instrumentalities. This includes the Red Cross, Project Head Start, Federal Land Banks and Federal Land Bank Associations.

State Government

The State of Iowa, its agencies and political subdivisions.

Other Political Subdivisions

An entity that (a) has a specific geographic area, and (b) has public officials elected at public elections, and (c) has taxing power, and (d) benefits the general public, and (e) is approved by the State of Iowa. This includes counties, cities, and public schools. The refund is not available to agencies or instrumentalities of a political subdivision, but rather only to the agencies and political subdivisions of the state of Iowa.

Benefited Fire Districts

If the fuel is used for public purposes. Districts should apply for an Other Political Subdivision refund permit.

Urban Transit System

Bus systems that transport passengers without discrimination, primarily on the streets of cities, and meet the requirements of the Iowa Department of Transportation. Also included is a company operating a taxicab service under contract with an Iowa urban transit system.

Regional Transit System

A public transit system serving one county, or all or part of a multi-county area, whose boundaries correspond to the regional planning areas designated by the governor or approved by the Iowa Department of Revenue.

Refunds

Native American Tribe

Native American Tribes who purchase and use fuel for tribal purposes on their own Indian Country and/or Native American Tribes who sell directly to their tribal members on their own Indian Country.

Contract Carrier

A carrier who has a contract with a public school under Iowa Code section 285.5 for transporting students.

Commercial Fishing

Licensed and operating under an owner's certificate issued pursuant to Iowa Code section 482.4; for fuel used in watercraft.

Home Heating

Motor fuel or undyed diesel fuel used in home heating.

Extraction and Processing of Natural Deposits

Motor fuel or undyed diesel fuel used for extraction and processing of natural deposits.

Denaturing Alcohol

Motor fuel or undyed diesel fuel used for denaturing alcohol.

Refrigeration Units (reefers)

Motor fuel and undyed diesel fuel used in refrigeration units.

Pumping Credits (dry products)

Motor fuel or undyed diesel fuel placed in the supply tank of a motor vehicle when the motor is used as a power source for off-loading.

Pumping Credits (wet products)

Motor fuel or undyed diesel fuel placed in the supply tank of a motor vehicle when the motor is used as a power source for off-loading.

Off Road

Motor fuel and undyed diesel fuel in unlicensed vehicles not operated on public highways.

Racing Fuel

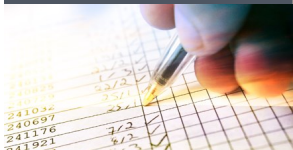
Fuel used to power vehicles used in racing. Users of racing fuel should apply for an Off Road refund permit.

Export of Tax Paid Fuel

Distributors only. Motor fuel or undyed diesel fuel purchased tax-paid and sold in smaller quantities (less than transport load) to consumers outside the state.

Idle Time

Motor fuel or undyed diesel fuel used when the engine is running but not propelling or operating the vehicle.



*The highest dollar
amount of refunds
issued is for fuel
used in Denaturing
Alcohol.*



Refunds

Power Takeoff

Motor fuel or undyed diesel fuel used for powering auxiliary equipment that is powered by the power takeoff.

Ready Mix

Motor fuel or undyed diesel fuel placed in the fuel supply tank of the vehicle; refund on 30 percent; accurate records must be maintained.

Solid Waste

Off-loading. Motor fuel or undyed diesel fuel placed in the fuel supply tank of the vehicle; refund on 30 percent; accurate records must be maintained.

Refund Agent

A person requesting a refund for idle time, power takeoff, refrigeration units, pumping credits, or transport diversions may designate another person as an agent to file the claim and receive the refund. See the previous definitions for the following: Refrigeration Units (reefers), Pumping Credits (dry products), Pumping Credits (wet products), Idle Time, Power Takeoff.

Transport Diversions

Transport loads of motor fuel or undyed diesel fuel which are sold tax-paid with an Iowa destination and later diverted to a point outside the state.

Casualty Losses

Fuel lost or destroyed through fire, explosion, lightning, flood, storm, leakage, theft or other casualty.

Diesel Fuel Blending Errors

This type of claim is similar to a casualty loss in that it relates to contamination of undyed diesel fuel. If dyed diesel fuel is inadvertently mixed with tax-paid undyed diesel fuel - to the extent that the undyed fuel must be converted to exempt dyed fuel by having additional dye added - the tax is refundable on the undyed diesel fuel.

Tax Overpaid on Blended Fuel

This arises when the tax rate on the final blended product is different than the fuel tax rate of the individual products prior to blending.

No Refund Allowed

There is no refund if the fuel is used in aircraft or pleasure boats.

Common Refund Questions



Question: How do I apply for a refund permit?

Answer: Complete an application: https://tax.iowa.gov/sites/files/idr/forms1/80005_1.pdf (pdf). The refund permit remains in effect until revoked, canceled, or until the permit becomes invalid.

Question: Why do I need to complete a refund permit application form?

Answer: You must complete and return the permit application if you wish to receive an Iowa fuel tax refund. Refunds cannot be applied for or issued until your application is approved.

Question: Do I need to obtain a refund permit?

Answer: Not always. If you qualify, there are two options available where no refund permit is needed. These options are:

- You may purchase dyed diesel fuel tax-free. Since there is no fuel tax on this purchase, there is no need for a refund permit. You may purchase dyed diesel fuel tax-free. Since there is no tax on this purchase, there is no need for a refund permit. **Note:** Dyed diesel is intended for exempt use only. Generally, dyed diesel may not be used in highway vehicles.
- You can claim a credit on your income tax return. (form IA 4136)


Question: How do I claim a credit on my income tax return?

Answer: You can claim a credit against your income taxes by completing form IA 4136 and attaching it to your year-end income tax return. Both individuals and corporations can take advantage of this method. However, the income tax credit is not available for refunds relating to casualty losses, transport diversions, pumping credits, blending errors, idle time, power takeoffs, reefer units, export by distributors, and tax overpaid on blended fuel. If you are using diesel fuel for an off-road exempt purpose, buy dyed fuel whenever possible. A credit can be claimed on an income tax return for a period up to three years.

The income tax credit cannot be claimed for any year in which a fuel tax refund claim has been filed, unless the refund claim was for casualty losses, transport diversions, pumping credits, blending errors, idle time, power takeoffs, reefer units, export by distributors, or tax overpaid on blended fuel.

Question: Do I need to send the invoices in?

Answer: Not unless asked to submit the invoices. You are required to keep them for three years.



refund

*Most refund claims
are filed using a
telephone call-in
system.*

Questions

Answers

Common Refund Questions

Question: Are there limitations on when I may file refund claims?

Answer: Yes. Claims must be filed within three years of the invoice date. In addition, claims should not be made for amounts under \$60. If the \$60 minimum is not met within the allowed time frames, a credit may be taken on the income tax return by using form IA 4136. A refund of less than \$60 will be allowed if the claimant is not required to file an income tax return or if the type of refund is not allowed to be taken as a credit on an income tax return.

Question: If I choose to apply for a fuel tax refund permit, how will I file refund claims?

Answer: For most types of claims, you will be given a toll-free telephone number and password information allowing you to provide the details of your refund claim to an operator. An information package along with your permit number will be forwarded to you upon approval of your application. Please allow 4 - 6 weeks for processing of your application. Claims relating to transport diversions, casualty losses, blending errors, and tax overpaid on blended fuel cannot use the telephone refund system. Obtain forms here: <https://tax.iowa.gov/form-types/fuel-tax>

Question: What requirements are needed for Idle Time or Power Takeoff?

Answer: To file idle time or power takeoff claims, you must have a pre-approved study on file with the Department explaining how you intend to compute the credit. For more information about idle time and power takeoff claims, call 515-242-6829 or email idrmotorfuel@iowa.gov. For help with other claim types, call 515-281-3114 or 1-800-367-3388, or contact us by email at idr@iowa.gov.

Question: What invoice dates can be used when calling in refund claims?

Answer: Due to differences in tax rates from year to year these dates may not overlap July 1 of any year. In other words, these dates must fall on or between the time period from July 1 of a particular year to June 30 of the following year. If you have some invoices prior to and some after, separate claims must be filed. Due to rate changes on March 1, 2015, separate claims must also be filed if you have some invoices prior to March 1, 2015 and some on or after March 1, 2015.

Common Refund Questions



Question: Is fuel subject to sales tax?

Answer: Fuel is exempt from sales tax when the fuel tax has been paid and no refund of the fuel tax has been allowed. When a fuel tax refund is allowed, the sales tax is deducted from the refund unless it is used for a purpose that is exempt from sales tax. In some instances, the amount of sales tax which would be due may exceed the amount of fuel tax refund allowed. This can happen because the fuel tax rate is a flat amount per gallon and is not impacted by the price of the fuel. On the other hand, sales tax is based on the price paid for the fuel, so as the price goes up, the sales tax also goes up. If this situation occurs, taxpayers may elect to not claim the fuel tax refund, since if they did, they would owe the difference between the sales tax and the fuel tax refund. Dyed diesel would normally be subject to sales tax, unless the purchaser qualifies for a sales tax exemption.

In the following examples, the price per gallon and the fuel tax rate are for illustrative purposes only.

Example A: 10,000 gallons of diesel fuel purchased at \$2.50 per gallon.

Purchase Price: $10,000 \times \$2.50 = \$25,000$

Iowa Fuel Tax Paid: $10,000 \text{ gallons} \times 32.5 \text{ cents per gallon} = \$3,250$

Net Cost of Fuel: $(\$2.50 - \$0.325) \times 10,000 = \$21,750$

Sales Tax (6%): $\$21,750 \times 0.06 = \$1,305$

Net Refund: $\$3,250 - \$1,305 = \$1,945$

Example B: 10,000 gallons of diesel fuel purchased at \$6.00 per gallon.

Purchase Price: $10,000 \times \$6.00 = \$60,000$

Iowa Fuel Tax Paid: $10,000 \text{ gallons} \times 32.5 \text{ cents per gallon} = \$3,250$

Net Cost of Fuel: $(\$6.00 - \$0.325) \times 10,000 = \$56,750$

Sales Tax (6%): $\$56,750 \times 0.06 = \$3,405$

Net Refund: $\$3,250 - \$3,405 = [\$155]$

The sales tax exceeds the fuel tax refund. If the fuel tax refund claim is filed, \$155 sales tax is owed. to the Department. If no claim is filed, no sales tax is due.

Note: If the fuel is used for a purpose that is exempt from sales tax, such as agricultural production, the full \$3,250 fuel tax refund would be allowed in both examples A and B.



Common Problems When Calling-in Refund Claims

Invoice Dates

Be certain the invoice dates do not overlap July 1 of any year.

Base Quantity

Must always be a whole number, without decimals.

Percentage

If asked for your percentage, state it in decimal form. For example, report thirty percent as 30.00% [say 30.00 (three zero point zero zero), not .30 or 30] when calling in your claim.



Penalty

Penalty for improper receipt of refund

If a person files an incorrect refund claim, in addition to the excess amount of the claim, a penalty of 10 percent shall be added to the amount by which the amount claimed and refunded exceeds the amount actually due. If a person knowingly files a fraudulent refund claim with the intent to evade the tax, the penalty shall be 75 percent in lieu of the 10 percent.

Fuel Tax Items Available on the IDR Website

Refund Permit Application: https://tax.iowa.gov/sites/files/idr/forms1/80005_1.pdf (pdf)

Change or Cancel a Fuel Tax Refund Permit: <https://tax.iowa.gov/request-change-correction-cancellation-or-reinstatement-tax-permit>

Forms: <https://tax.iowa.gov/form-types/fuel-tax>

Iowa Fuel Tax Rates: <https://tax.iowa.gov/iowa-tax-fee-descriptions-and-rates#mvf>

Questions?



Email: idr@iowa.gov

Postal Mail:

Taxpayer Services
Iowa Department of Revenue
P.O. Box 10457
Des Moines, IA 50306-0457

Or call:

1-800-367-3388
515-281-3114

TDD - Deaf and hearing assistance: 515-242-5942
Monday - Friday 8 a.m. to 4:15 p.m.

Vision Statement

Iowa will be a state where it is easy to understand and comply with tax obligations.

<https://tax.iowa.gov>