

**SUBJECT:** *IRS – Nontaxable Diesel Fuel and Kerosene*

**ISSUE:** *IRS Diesel fuel and Kerosene Dispenser Label Requirements*

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**DATE:** *April 1, 2011*

**EXECUTIVE SUMMARY:**

The IRS requires all untaxed diesel fuel or untaxed kerosene dispensers to display specific labels describing the product and their taxable status and use. The IRS requires these labels to contain specific language that may not be altered or shortened in any way. EPA dispenser labels for low sulfur product are not a substitute for the IRS labels. The fine for failure to display the proper IRS label is \$10 per gallon for every gallon contained in the storage tank at the time of violation. IRS enforcement of the dispenser label requirement is aggressive and ongoing.

**IRS CONTINUES TO LEVY HEFTY FINES FOR FAILURE TO DISPLAY DISPENSER TAX LABELS:**

PMAA is continuing to receive calls about ongoing IRS enforcement of dispenser labeling requirements. The IRS requires all dyed diesel and dyed kerosene dispensers to have a specific label indicating that the fuel is for nontaxable use only. The labeling requirement has been in place for diesel dyed diesel dispensers since 1993 and for dyed and clear kerosene dispensers since 1998. The IRS recently stepped- up enforcement of the dispenser label requirements.

The following IRS labels must be posted on any retail dispenser or other delivery facility (skid tank, consumer dispensers at bulk plants or card locks) where dyed diesel fuel and/or dyed kerosene are dispensed for use by a purchaser/consumer:

***“DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE”*** or

***“DYED KEROSENE, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE”***.

In addition, the following label must be posted on all blocked pumps that sell clear, untaxed kerosene:

***“UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY”***.

The labels must be affixed to the dispenser in a conspicuous place within easy sight of the person dispensing the fuel either on the face of the dispenser (on both sides) or on the side of the dispenser just above the nozzle housing.

***IMPORTANT! Undyed, kerosene may be sold tax free only when dispensed through a blocked pump. A blocked pump is a fuel dispenser that meets all of the following requirements:***

- The dispenser is used to make retail sales of undyed kerosene for use by the buyer in any non-taxable use.
- The dispenser it is in a fixed location.

- The dispenser is identified with a legible and conspicuous notice stating:

***“UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY”***

- The dispenser meets either of the following conditions:
  - It cannot reasonably be used to dispense fuel directly into the tank of a diesel-powered highway vehicle or train. This can be achieved by using a short hose that cannot reach the tank of a diesel-powered highway vehicle or the use of barriers that prevent the vehicle from reaching the hose, OR
  - It is locked by the vendor after each sale and unlocked by the vendor only in response to a buyer’s request for undyed kerosene for use as fuel other than in a diesel-powered highway vehicle.

**Got Questions? Contact Mark S. Morgan, PMAA Regulatory Counsel at [mmorgan@pmaa.org](mailto:mmorgan@pmaa.org)**