

Taxation of Fuels

Vermont Sales and Use Tax and Fuel Tax apply differently to fuel in Vermont, depending on the type and use of fuel. A person buying at retail will pay 6% sales and use tax for natural gas to fuel a motor vehicle, propane in a free-standing container, and dyed diesel for limited specific uses. Heating oil, gas, and other fuels used for commercial purposes are also subject to 6% sales and use tax, but not when used in the home. Where a municipality has voted to impose a local option sales tax, an additional 1% tax will apply to taxable sales made in that municipality. The \$0.02 per gallon fuel tax applies to heating oil, propane, kerosene, or other dyed diesel fuel delivered to a residence or business. The charts on this fact sheet explain the types of fuels taxed and exempted under each of these two taxes.

Dyed Diesel

Starting July 1, 2017, two new uses of dyed diesel became exempt from sales and use tax. Dyed diesel is now exempt when purchased for any of the following uses:

- to power the types of forestry machinery and equipment listed below;
- to propel a vehicle off road;
- for farming, if used directly and exclusively for farming purposes; and
- to manufacture tangible personal property for sale, whether used directly or indirectly.

The types of exempt forestry machinery and equipment are: skidders with grapple and cable, feller bunchers, cut-to-length processors, forwarders, delimiters, loader slashers, log loaders, whole-tree chippers, stationary screening systems, and firewood processors, elevators, and screens. The exemption can be claimed by completing Form S-3F, Vermont Sales Tax Exemption Certificate For Fuel Or Electricity. Dyed diesel used off road in stationary equipment (i.e., generators) when used for commercial purposes remains taxable.

Exemption Certificates

Exemption certificates are available on the Vermont Department of Taxes website:

Form S-3F, Vermont Sales and Use Tax Exemption Certificate for Fuel or Electricity
Form S-3, Vermont Sales and Use Exemption Certificate for Purchases for Resale and by Exempt Organizations

Fuel Tax

On July 1, 2016, the Fuel Gross Receipts Tax was renamed the Fuel Tax. The Fuel Tax is imposed on the retail sale of heating oil, propane, kerosene, and other dyed diesel fuel delivered to a residence or business at a rate of \$0.02 per gallon.

A new gross receipts tax on retail sales of coal and natural gas is also imposed at a rate of 0.75%. Additionally, a gross receipts tax on the retail sale of electricity is now imposed at a rate of 0.5%.

Before Jan. 1, 2017, the Department required quarterly filing of Fuel Tax. The Fuel Tax must now be filed and paid monthly. Returns and payments for the Fuel Tax must be made to the Department of Taxes using Form FGR-615, Fuel Tax and Petroleum Distributor Licensing Fee Return.

Fuel dealers who choose to itemize an invoice or bill in order to show the amount of the Fuel Tax must include the following statement:

The purpose of the Fuel Tax is to support Vermont's Low Income Home Weatherization Program

Please see the charts on the next page
for specific information about the recent changes

Sales and Use Tax (32 V.S.A. ch. 233)

Tax rate	6% of the retail sales price, plus 1% of the retail sales price in municipalities that have voted to impose a local option sales tax
Taxpayer	Any purchaser, unless exempt
Types of fuels taxed	<ul style="list-style-type: none"> • Heating oil, gas, and other fuels used for commercial purposes in mixed-use buildings (both residential and commercial) are subject to sales tax, but the portion of fuel used for residential purposes is exempt. 32 V.S.A. § 9741(26) • Propane sold at retail in free-standing containers, or sold as part of a transaction where a free-standing container is exchanged without a separate charge 32 V.S.A. § 9741(26) <ul style="list-style-type: none"> ▪ No sales tax on propane refills using the purchaser's own container • Natural gas used to propel a motor vehicle 32 V.S.A. § 9741(7)(B) • Dyed diesel used off road in stationary equipment (e.g., generators) for commercial purposes 32 V.S.A. § 9741(7)(A)(iii); <ul style="list-style-type: none"> ▪ If equipment is capable of both propulsion and non-propulsion use, only the non-propulsion use of dyed diesel is taxable.
Types of fuels exempt from sales tax, based on use	<ul style="list-style-type: none"> • Heating oil, gas, and other fuels used in a residence for all domestic use, including heating 32 V.S.A. § 9741(26) <ul style="list-style-type: none"> ▪ In mixed-use buildings (both residential and commercial), the portion of fuel used for residential purposes is exempt, but the portion for commercial purposes is subject to sales tax. • Dyed diesel used to: <ul style="list-style-type: none"> ▪ power forestry machinery; for a full list of exempt machinery and equipment that dyed diesel is bought to power, see 32 V.S.A. § 9741(51) ▪ propel a vehicle on or off road, including specifically for agricultural or manufacturing purposes, 32 V.S.A. § 9741(7)(A)(iii), (27), (34) <ul style="list-style-type: none"> • If equipment is capable of both propulsion and non-propulsion use, only the propulsion use of dyed diesel is exempt. • Sales of electricity, oil, gas, and other fuels used: <ul style="list-style-type: none"> ▪ directly and exclusively for farming purposes 32 V.S.A. § 9741(27) ▪ directly or indirectly in manufacturing tangible personal property for sale 32 V.S.A. § 9741(34)
Types of exempt purchasers	<p>Organizations that are exempt from sales and use tax under 32 V.S.A. § 9743:</p> <ul style="list-style-type: none"> • Federal and State of Vermont (including municipal) government entities • Nonprofit organizations that qualify for exempt status under 26 U.S.C. § 501(c)(3), agricultural organizations, qualified for exempt status under 26 U.S.C. § 501(c)(5), when presenting agricultural fairs, field days or festivals • Schools as defined in 16 V.S.A. § 11(7) and (8); and municipalities, which include any city, town, unorganized town, village, grant, or gore

Fuel Tax (33 V.S.A. § 2503)

Tax rate	\$0.02 per gallon of fuel sold at retail
Taxpayer	Any seller who makes a retail sale of fuel delivered to a residence or business
Types of fuels taxed	Heating oil, propane, kerosene, and other dyed diesel fuel delivered to a residence or business are subject to fuel tax. There are also two percentage-based gross receipts taxes imposed on the retail sale of natural gas and coal (0.75%), and on electricity (0.5%).
Types of exempt purchasers	Retail sales of fuel to organizations that are neither residences nor businesses are not subject to the fuel tax. This includes federal and State of Vermont (including municipal) government entities and nonprofit organizations.

