

**URGENT NOTICE TO
FUEL SUPPLIERS, DISTRIBUTORS
AND IMPORTERS REGARDING HURRICANE
KATRINA AND TAXABILITY OF DYED DIESEL
September 2, 2005**

In the wake of Hurricane Katrina, the EPA's Emergency Fuel Waiver and Virginia Governor's Executive Order 97, the Department of Motor Vehicles is addressing the taxability of dyed diesel and the reporting requirements during this emergency time.

Effective immediately and through September 15, 2005 suppliers are required to sell dyed diesel as a taxable product for all sales except sales to:

1. a tax exempt entity,
2. a non-taxable user for off-road purposes,
3. a licensed distributor or importer using a tax exempt card/code; or
4. a licensed supplier above the rack

Purchases and sales of dyed diesel during this emergency period should be reported on the designated lines on the September tax return.

Reporting Instructions for Suppliers

Part A - Disbursement Summary

- A: Dyed diesel used in self-operated vehicles by the supplier should be reported on Line A in Part A as clear diesel.
- A: Dyed diesel sold to retail outlets should be reported on line A in Part A as clear diesel.
- B: Dyed diesel sold to unlicensed distributors, retailers, bulk users and users should be reported on Schedule 5A as clear diesel.
- C: Dyed diesel sold to licensed distributors or importers should be reported on Schedule 5D as clear diesel.
- D: Dyed diesel sold to licensed suppliers with the tax collected should be reported on Schedule 5E as clear diesel.
- E: Dyed diesel sold for export with the Virginia tax collected should be reported on Schedule 5H as clear diesel.
- F and G: Not applicable for dyed diesel within this emergency situation.
- H: Dyed diesel sold to licensed distributors or importers using a tax exempt card/code should be reported on Schedule 6H as clear diesel.
- I: Dyed diesel sold to licensed suppliers, tax not collected, should be reported on Schedule 6P as clear diesel
- J: Dyed diesel exported should be reported on a Schedule 7 as usual but the destination state tax should be charged if applicable
- K: Dyed diesel sold to the US government or other tax-exempt persons should be reported on Schedule 8 as clear diesel
- L: Dyed diesel sold to Virginia state or local government and dyed diesel sold to non-taxable users should be reported on Schedule 9 as clear diesel

Section 1 – Tax Calculation

- Line 2: Dyed diesel received, tax paid, should be reported as clear diesel on Schedule 1.
- Line 3: Dyed diesel sold at retail with the tax not collected to tax exempt entities using a credit card or fleet card should be reported on Schedule 5 as clear diesel.

Reporting Instructions for Distributors and Importers

Part A- Disbursement Summary

- A: Dyed diesel pulled by the distributor or importer using a tax exempt card/code should be reported on Schedule 2D as clear diesel.
- B: Dyed diesel on which the tax has been paid and then sold to the federal government should be sold as tax-exempt clear diesel and reported on Schedule 8 as diesel in order to obtain a refund/credit on the tax and tank fee.
- C: Dyed diesel on which the tax has been paid and then sold to non-taxable users should be sold as tax free and reported on Schedule 9 as an exempt sale of clear diesel in order to obtain refund/credit on the tax and tank fee. Dyed diesel sold for a taxable purpose should be reported as clear diesel on Line 4B.
- D: Not applicable for dyed diesel in this emergency situation.
- E: Dyed diesel on which the distributor or importer has paid the tax, and then sold at retail, tax not collected, to U.S. government or other tax exempt persons using a credit card or fleet card should be reported on Schedule 8C as clear diesel.
- F: Dyed diesel on which the distributor or importer has paid the tax, and then sold at retail, tax not collected, to state and local governments using a credit card or fleet card should be reported on Schedule 9F as clear diesel
- G: Dyed diesel on which tax has been paid and then exported by the licensed distributor or importer should be reported on Schedule 7 as clear diesel in order to obtain refund /credit of Virginia tax and tank fee.

Ultimate Users with Legitimate Non Taxable Use

End users who have paid tax on fuel ultimately used for a non-taxable purpose will be eligible for a refund of the tax paid pursuant to Virginia Code §58.1-2259. Refund applications (TS216 and TS217) are available on www.dmvNOW.com.

Post Emergency Enforcement of Dyed Diesel Laws

During this emergency period it is anticipated that dyed diesel will be distributed from fueling stations/pumps that currently disburse clear diesel. As a result, residuals of dye can be expected for some time after this emergency period. Consideration will be given to this fact as industry begins clean-up efforts.

Contact Information

If you have any questions about any information on this document, contact DMV's Tax Services at:

(804) 367-4328 or 367-4329 (voice)

(800) 272-9268 (deaf or hearing impaired only)

(804) 367-8877 (voice)

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