

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 1003

(SENATE AUTHORS: COLEMAN and Mathews)

DATE
02/06/2025

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Introduction and first reading
Referred to Transportation

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to transportation; taxes; abolishing motor fuel taxes; making conforming
1.3 changes; transferring money; appropriating money; amending Minnesota Statutes
1.4 2024, sections 84.794, subdivision 1; 84.803, subdivision 1; 84.83, subdivision 2;
1.5 84.927, subdivision 1; 86B.706, subdivisions 2, 3; 89.70; 89.72; 115C.08,
1.6 subdivision 3; 296A.03, subdivision 2; 296A.04, subdivisions 1, 3; 296A.05,
1.7 subdivision 1; 296A.06, subdivision 2; 296A.061; 296A.12; 296A.15; 296A.21;
1.8 296A.22, subdivisions 1, 2, 3, 6, 7, 9; 296A.23, subdivisions 2, 8; 296A.24,
1.9 subdivision 1; 297A.68, subdivision 19; repealing Minnesota Statutes 2024, sections
1.10 296A.01, subdivision 36; 296A.07; 296A.08; 296A.083; 296A.09; 296A.10;
1.11 296A.11; 296A.13; 296A.14; 296A.16, subdivisions 1, 2, 3, 4, 4a, 4b, 5, 7, 8;
1.12 296A.17; 296A.18, subdivisions 1, 2, 3, 4, 5, 6, 6a, 7, 8; 296A.22, subdivision 4;
1.13 296A.23, subdivisions 3, 4, 6; 296A.26.

1.14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.15 **ARTICLE 1**
1.16 **MOTOR FUEL TAXES ABOLISHED**

1.17 Section 1. Minnesota Statutes 2024, section 296A.03, subdivision 2, is amended to read:

1.18 Subd. 2. **Qualifications.** (a) A distributor's license shall be issued to any responsible
1.19 person who applies and qualifies as a distributor.

1.20 (b) Upon application to the commissioner, the commissioner must issue a distributor's
1.21 license to any person who:

1.22 (1) receives petroleum products in this state for bulk storage and subsequent distribution
1.23 by tank truck;

1.24 (2) produces, manufactures, or refines petroleum products in this state;

2.1 (3) imports petroleum products into this state via boat, barge, or pipeline for storage and
 2.2 subsequent delivery at or further transportation from boat, barge, or pipeline terminals in
 2.3 this state; or

2.4 (4) holds a license and performs a function under the ~~motor fuel tax~~ law of an adjoining
 2.5 state equivalent to that of a distributor under this chapter, who desires to ship or deliver
 2.6 petroleum products from that state to persons in this state not licensed as distributors in this
 2.7 state and who agrees to assume with respect to all petroleum products so shipped or delivered
 2.8 the liabilities of a distributor receiving petroleum products in this state; provided, however,
 2.9 that any such license shall be issued only for the purpose of permitting such person to receive
 2.10 in this state the petroleum products so shipped or delivered. Except as herein provided, all
 2.11 persons licensed as distributors under this clause shall have the same rights and privileges
 2.12 and be subject to the same duties, requirements, and penalties as other licensed distributors.

2.13 (c) The commissioner shall not issue or renew a license to a person otherwise eligible
 2.14 under this subdivision if the person:

2.15 ~~(1) has unpaid tax due under this chapter;~~

2.16 ~~(2)~~ (1) has unfiled ~~tax returns or~~ reports due under this chapter;

2.17 ~~(3)~~ (2) has had a license issued pursuant to this chapter revoked within the last five years;

2.18 or

2.19 ~~(4)~~ (3) has had an equivalent license issued by another state or Canadian province revoked
 2.20 within the last five years for failure to pay a tax or file a tax return or report.

2.21 Sec. 2. Minnesota Statutes 2024, section 296A.04, subdivision 1, is amended to read:

2.22 Subdivision 1. **Application and fee.** No person, except a licensed distributor, shall
 2.23 engage in the business of selling or delivering special fuel, ~~upon which no tax has been~~
 2.24 ~~imposed~~, as a special fuel dealer without having applied for and secured from the
 2.25 commissioner a special fuel dealer's license. The application shall be made in a form and
 2.26 manner prescribed by the commissioner and shall be accompanied by the payment of a \$25
 2.27 license fee. A special fuel dealer's license shall be issued to any responsible person qualifying
 2.28 as a special fuel dealer who makes proper application. The license shall be displayed in a
 2.29 conspicuous manner in the place of business and shall expire annually on November 30.

2.30 Sec. 3. Minnesota Statutes 2024, section 296A.04, subdivision 3, is amended to read:

2.31 Subd. 3. **Sales ticket.** A sales ticket shall be issued for each delivery of special fuel to
 2.32 a special fuel dealer or bulk purchaser. A sales ticket shall also be issued for each delivery

3.1 into the supply tank of an aircraft or a licensed motor vehicle, if so requested by the
3.2 purchaser. The person who delivers the special fuel shall issue the sales ticket and shall
3.3 show on the ticket the name and address of the purchaser, date of sale, number of gallons,
3.4 price per gallon, ~~amount of tax~~, and total amount of sale.

3.5 Sec. 4. Minnesota Statutes 2024, section 296A.05, subdivision 1, is amended to read:

3.6 Subdivision 1. **Application and fee.** No person shall receive special fuel, ~~upon which~~
3.7 ~~no tax has been imposed~~, as a bulk purchaser without having applied for and secured from
3.8 the commissioner a bulk purchaser's license. The application shall be made in a form and
3.9 manner prescribed by the commissioner and shall be accompanied by the payment of a \$25
3.10 license fee. A bulk purchaser's license shall be issued to any responsible person qualifying
3.11 as a bulk purchaser who makes proper application. The license shall be displayed in a
3.12 conspicuous manner in the place of business and shall expire annually on November 30.

3.13 Sec. 5. Minnesota Statutes 2024, section 296A.06, subdivision 2, is amended to read:

3.14 Subd. 2. **Suspension of license.** (a) Notwithstanding subdivision 1, the license of a
3.15 distributor, special fuel dealer, or bulk purchaser that has not filed a ~~tax return or~~ report or
3.16 paid a delinquent ~~tax or~~ fee within five days after notice and demand by the commissioner
3.17 is suspended. The suspension remains in effect until the demanded ~~tax return or~~ report has
3.18 been filed and the ~~tax and fees shown on that return or report~~ have been paid. If the
3.19 commissioner determines that the failure to file or failure to pay is due to reasonable cause,
3.20 then a license must not be suspended, or if suspended, must be reinstated.

3.21 (b) A licensee whose license is suspended under this subdivision may request a contested
3.22 case hearing under chapter 14. Any such hearing must be held within 20 days of the issuance
3.23 of the notice and demand issued under paragraph (a), unless the parties agree to a later
3.24 hearing date. The administrative law judge's report must be issued within 20 days after the
3.25 close of the hearing record, unless the parties agree to a later report issuance date. The
3.26 commissioner must issue a final decision within 30 days after receipt of the report of the
3.27 administrative law judge and subsequent exceptions and argument under section 14.61. The
3.28 suspension imposed under paragraph (a) remains in effect during any contested case hearing
3.29 process requested pursuant to this paragraph.

4.1 Sec. 6. Minnesota Statutes 2024, section 296A.061, is amended to read:

4.2 **296A.061 CANCELLATION ~~OR NONRENEWAL~~ OF LICENSES.**

4.3 The commissioner may cancel a license ~~or not renew a license~~ if ~~one of the following~~
4.4 ~~conditions occurs:~~

4.5 ~~(1) the license holder has not filed a petroleum tax return or report for at least one year;~~

4.6 ~~(2) the license holder has not reported any petroleum tax liability on the license holder's~~
4.7 ~~returns or reports for at least one year; or~~

4.8 ~~(3) the license holder requests cancellation of the license.~~

4.9 Sec. 7. Minnesota Statutes 2024, section 296A.12, is amended to read:

4.10 **296A.12 GASOLINE AND OR SPECIAL FUEL TAX ~~IN LIEU OF OTHER TAXES~~**
4.11 **PROHIBITED.**

4.12 Gasoline and special fuel excise taxes ~~shall~~ must not be in lieu of all other taxes imposed
4.13 upon the business of selling or dealing in gasoline or special fuel, ~~whether imposed by the~~
4.14 ~~state or by any of its political subdivisions, but are in addition to all ad valorem taxes now~~
4.15 ~~imposed by law.~~ Nothing in this chapter is construed as prohibiting the governing body of
4.16 any city of this state from licensing and regulating such business where its authority is
4.17 conferred by state law or city charter.

4.18 Sec. 8. Minnesota Statutes 2024, section 296A.15, is amended to read:

4.19 **296A.15 PAYMENT OF TAX REPORTS REQUIRED.**

4.20 Subdivision 1. **Monthly gasoline report; shrinkage allowance.** (a) ~~Except as provided~~
4.21 ~~in paragraph (e),~~ On or before the 23rd day of each month, every person ~~who is required to~~
4.22 ~~pay a gasoline tax shall~~ engaged in buying and selling petroleum products or combustible
4.23 gases regulated under this chapter must file with the commissioner a report, in the form and
4.24 manner prescribed by the commissioner, showing the number of gallons of petroleum
4.25 products received by the reporter during the preceding calendar month, and other information
4.26 the commissioner may require. A written report is deemed to have been filed as required
4.27 in this subdivision if postmarked on or before the 23rd day of the month in which the tax
4.28 is payable.

4.29 (b) The number of gallons of gasoline must be reported in United States standard liquid
4.30 gallons, 231 cubic inches, except that the commissioner may upon written application and
4.31 for cause shown permit the distributor to report the number of gallons of gasoline as corrected

5.1 to a temperature of 60-degrees Fahrenheit. If the application is granted, all gasoline covered
5.2 in the application and allowed by the commissioner must continue to be reported by the
5.3 distributor on the adjusted basis for a period of one year from the date of the granting of
5.4 the application. The number of gallons of petroleum products other than gasoline must be
5.5 reported as originally invoiced. Each report must show separately the number of gallons of
5.6 aviation gasoline received by the reporter during each calendar month and the number of
5.7 gallons of gasoline sold to a dealer of aviation gasoline during each calendar month.

5.8 ~~(e) Each report must also include the amount of gasoline tax on gasoline received by~~
5.9 ~~the reporter during the preceding month. In computing the tax a deduction of 2.5 percent~~
5.10 ~~of the quantity of gasoline received by a distributor shall be made for evaporation and loss.~~
5.11 ~~At the time of reporting, the reporter shall submit satisfactory evidence that one-third of the~~
5.12 ~~2.5 percent deduction has been credited or paid to dealers on quantities sold to them.~~

5.13 ~~(d) Each report shall contain a confession of judgment for the amount of the tax shown~~
5.14 ~~due to the extent not timely paid.~~

5.15 ~~(e) Under certain circumstances and with the approval of the commissioner, taxpayers~~
5.16 ~~may be allowed to file reports annually.~~

5.17 Subd. 2. **Petroleum tank release cleanup fee.** Persons required to pay a petroleum tank
5.18 release cleanup fee under section 115C.08, subdivision 3, must file a report with the
5.19 commissioner of revenue. Each report must include the amount of fees due on petroleum
5.20 products. Reports must be filed in the form and manner prescribed by the commissioner. A
5.21 written report is considered filed as required if postmarked on or before the 23rd day of the
5.22 month in which the fee is payable.

5.23 Subd. 3. **Monthly special fuel report; shrinkage allowance.** On or before the 23rd day
5.24 of each month, distributors, special fuel dealers, and bulk purchasers shall file a report in
5.25 the form and manner prescribed by the commissioner. Reports shall contain information as
5.26 follows:

5.27 (a) Distributors of undyed diesel fuel and undyed kerosene must file a ~~monthly tax return~~
5.28 report with the commissioner listing all purchases or receipts of undyed diesel fuel and
5.29 undyed kerosene. ~~Distributors may be allowed to take a credit or credits under section~~
5.30 ~~296A.16, subdivision 1.~~

5.31 (b) Distributors and dealers of special fuel other than undyed diesel fuel or undyed
5.32 kerosene shall report the total number of gallons delivered to them during the preceding
5.33 calendar month ~~and shall pay the special fuel excise tax due to the commissioner.~~ The

6.1 invoice must show the true and correct name and address of the purchaser, and the purchaser's
6.2 signature. The report shall contain other information as the commissioner may require.

6.3 (c) Distributors and dealers of special fuel other than undyed diesel fuel or undyed
6.4 kerosene must ~~pay the special fuel excise tax on all special fuel delivered or sold into the~~
6.5 ~~supply tank of an aircraft or licensed motor vehicle and shall~~ file a report with the
6.6 commissioner. The report shall show the total number of gallons delivered or sold into the
6.7 supply tank of an aircraft or licensed motor vehicle during the preceding calendar month
6.8 ~~and the special fuel excise tax due shall be paid to the commissioner. Any person delivering~~
6.9 ~~special fuel on which the excise tax has not previously been paid into the supply tank of an~~
6.10 ~~aircraft or a licensed motor vehicle shall report such delivery and shall pay or collect and~~
6.11 ~~pay to the commissioner the excise tax on the special fuel so delivered.~~

6.12 (d) Distributors and special fuel dealers may, subject to the approval of the commissioner,
6.13 elect to ~~pay to the commissioner the special fuel excise tax~~ report on all special fuel delivered
6.14 or sold into the supply tank of an aircraft or licensed motor vehicle. Under this option, an
6.15 invoice must be issued at the time of each delivery showing the name and address of the
6.16 purchaser, date of sale, number of gallons, price per gallon, and total amount of sale. A
6.17 separate sales ticket book shall be maintained for special fuel sales. ~~The tax is also imposed~~
6.18 ~~on all special fuel held in storage on the effective date of this election.~~

6.19 (e) Bulk purchasers shall report ~~and pay the special fuel excise tax~~ on all special fuel,
6.20 including alternative fuels, except undyed diesel fuel or undyed kerosene purchased by them
6.21 for storage during the preceding calendar month. ~~In such cases as the commissioner may~~
6.22 ~~permit, credit for the excise tax due or previously paid on special fuel not used in aircraft~~
6.23 ~~or licensed motor vehicles may be allowed in computing tax liability.~~ The report shall
6.24 contain other information as the commissioner may require.

6.25 (f) ~~In computing the special fuel excise tax due, a deduction of one percent of the quantity~~
6.26 ~~of special fuel on which tax is due shall be made for evaporation and loss.~~

6.27 (g) ~~Each report shall contain a confession of judgment for the amount of the tax shown~~
6.28 ~~due to the extent not timely paid.~~

6.29 Subd. 4. **Failure to use or sell for intended purpose; report required.** (a) Any person
6.30 who buys aviation gasoline, including from a dealer of aviation gasoline, or special fuel for
6.31 aircraft use, ~~and who has paid the excise taxes due directly or indirectly through the amount~~
6.32 ~~of the tax being included in the price, or otherwise,~~ and uses said gasoline or special fuel
6.33 in motor vehicles or knowingly sells it to any person for use in motor vehicles shall, on or
6.34 before the 23rd day of the month following that in which such gasoline or special fuel was

7.1 so used or sold, report the fact of the use or sale to the commissioner in the form and manner
7.2 prescribed by the commissioner.

7.3 (b) Any person who buys gasoline and ~~who has paid the motor vehicle gasoline excise~~
7.4 ~~tax directly or indirectly through the amount of the tax being included in the price of the~~
7.5 ~~gasoline, or otherwise, who knowingly~~ sells such gasoline to any person to be used for the
7.6 purpose of producing or generating power for propelling aircraft, or who receives, stores,
7.7 or withdraws from storage gasoline to be used for that purpose, shall, on or before the 23rd
7.8 day of the month following that in which such gasoline was so sold, stored, or withdrawn
7.9 from storage, report the fact of the sale, storage, or withdrawal from storage to the
7.10 commissioner in the form and manner prescribed by the commissioner.

7.11 ~~Subd. 5. **On-farm bulk storage of gasoline or special fuel; ethanol for personal**~~
7.12 ~~**use.** Notwithstanding the provisions of this chapter, a farmer who uses gasoline or any~~
7.13 ~~special fuel on which a tax has not been paid shall report and pay the tax on all gasoline or~~
7.14 ~~special fuel delivered into the supply tank of a licensed motor vehicle during the preceding~~
7.15 ~~calendar year. The tax must be reported and paid in the form and manner prescribed by the~~
7.16 ~~commissioner together with any refund claim filed by the taxpayer under section 296A.16.~~
7.17 ~~If no refund claim is filed, the tax must be reported and paid annually by March 15 or more~~
7.18 ~~frequently, as the commissioner may prescribe. Any producer qualifying under this~~
7.19 ~~subdivision is exempt from the licensing requirements in section 296A.03, subdivision 1.~~

7.20 Subd. 6. **Inspection fee.** Persons required to pay an inspection fee under section 239.101
7.21 must file a report with the commissioner of revenue. Each report must include the amount
7.22 of inspection fees due on petroleum products. Reports must be filed in the form and manner
7.23 prescribed by the commissioner. A written report is considered filed as required if postmarked
7.24 on or before the 23rd day of the month in which the fee is payable.

7.25 ~~Subd. 7. **Electronic payment required.** All remittances must be made by electronic~~
7.26 ~~means.~~

7.27 Subd. 8. **Electronically filed ~~return or report~~; signature.** The commissioner may
7.28 require that ~~returns or reports~~ be filed electronically. For purposes of this chapter, the name
7.29 of the ~~taxpayer reporter~~, the name of the taxpayer's reporter's authorized agent, or the
7.30 ~~taxpayer's reporter's~~ identification number constitutes a signature when transmitted as part
7.31 of the information on ~~returns or reports~~ filed by electronic means by the ~~taxpayer reporter~~
7.32 or at the taxpayer's reporter's direction. "Electronic means" includes, but is not limited to,
7.33 the use of a touch-tone telephone to transmit ~~return or report~~ information in a manner
7.34 prescribed by the commissioner.

8.1 Sec. 9. Minnesota Statutes 2024, section 296A.21, is amended to read:

8.2 **296A.21 STATUTE OF LIMITATIONS.**

8.3 Subdivision 1. **General rules.** (a) The commissioner shall make determinations,
8.4 corrections, assessments, and refunds with respect to taxes imposed before the effective
8.5 date of this section and fees under this chapter, including interest, additions to taxes, and
8.6 assessable penalties. Except as otherwise provided in this section, the amount of taxes
8.7 assessable must be assessed within 3-1/2 years after the date the return is filed. For purposes
8.8 of this section, a tax return filed before the last day prescribed by law for filing is considered
8.9 to be filed on the last day.

8.10 (b) A claim for a refund of an overpayment of state tax imposed before the effective
8.11 date of this section or fees must be filed within 3-1/2 years from the date prescribed for
8.12 filing the return, plus any extension of time granted for filing the return, but only if filed
8.13 within the extended time; or the claim must be filed within one year from the date of an
8.14 order assessing tax or fees, or from the date of a return filed by the commissioner, upon
8.15 payment in full of the tax, fees, penalties, and interest shown on the order or return, whichever
8.16 period expires later.

8.17 Subd. 2. **Collection.** No action shall be brought for the collection of delinquent taxes
8.18 imposed before the effective date of this section and fees under section 270C.61 unless
8.19 commenced within five years after the date of assessment of the taxes and fees.

8.20 Subd. 3. **False or fraudulent report.** In the case of a false or fraudulent report with
8.21 intent to evade taxes or fees or of a failure to file a report, the taxes imposed before the
8.22 effective date of this section or fees may be assessed at any time, and a proceeding in court
8.23 for their collection must be begun within five years after the assessment.

8.24 Subd. 4. **Time limit for certain refunds.** Notwithstanding subdivision 1, paragraph (b),
8.25 no refund under Minnesota Statutes 2024, section 296A.16, subdivision 2, shall be made
8.26 unless the claim for refund and invoice are filed with the commissioner within one year
8.27 from the date of purchase.

8.28 Subd. 5. **Suspension of time; bankruptcy.** The period of time during which a tax
8.29 imposed before the effective date of this section or fee must be assessed under this chapter
8.30 or collection proceedings commenced under subdivision 2 or 3 is suspended during the
8.31 period from the date of filing of a petition in bankruptcy until 30 days after the commissioner
8.32 of revenue receives notice that the bankruptcy proceedings have been closed or dismissed
8.33 or the automatic stay has been terminated or has expired. The suspension of the statute of
8.34 limitations under this subdivision applies to the person against whom the petition in

9.1 bankruptcy is filed and all other persons who may also be wholly or partially liable for the
9.2 tax under this chapter imposed before the effective date of this section.

9.3 Sec. 10. Minnesota Statutes 2024, section 296A.22, subdivision 1, is amended to read:

9.4 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of any
9.5 person to pay any tax imposed before the effective date of this section or fee when due, a
9.6 penalty of one percent per day for the first ten days of delinquency shall accrue, and thereafter
9.7 the tax, fees, and penalty shall bear interest at the rate specified in section 270C.40 until
9.8 paid.

9.9 Sec. 11. Minnesota Statutes 2024, section 296A.22, subdivision 2, is amended to read:

9.10 Subd. 2. **Collection authority.** Upon such a failure to pay any tax imposed before the
9.11 effective date of this section or fees within the time provided by this chapter, all taxes and
9.12 fees ~~imposed by this chapter~~ shall become immediately due and payable, and may be
9.13 collected as provided in chapter 270C.

9.14 Sec. 12. Minnesota Statutes 2024, section 296A.22, subdivision 3, is amended to read:

9.15 Subd. 3. **Operating without license.** If any person operates as a distributor, special fuel
9.16 dealer, bulk purchaser, or motor carrier without first securing the license required under
9.17 this chapter, any tax imposed before the effective date of this section or fee imposed by this
9.18 chapter shall become immediately due and payable. A penalty of 25 percent is imposed
9.19 upon the tax and fee due. The tax and fees shall bear interest at the rate specified in section
9.20 270C.40. The penalty imposed in this subdivision shall bear interest from the date provided
9.21 in section 270C.40, subdivision 3, to the date of payment of the penalty.

9.22 Sec. 13. Minnesota Statutes 2024, section 296A.22, subdivision 6, is amended to read:

9.23 Subd. 6. **Sale prohibited under certain conditions.** No petroleum product shall be
9.24 unloaded or sold by any person or distributor whose tax imposed before the effective date
9.25 of this section and fees are the basis for collection action under subdivision 2.

9.26 Sec. 14. Minnesota Statutes 2024, section 296A.22, subdivision 7, is amended to read:

9.27 Subd. 7. **Payment of penalties.** The penalties imposed by this section are collected and
9.28 paid in the same manner as ~~taxes~~ fees.

10.1 Sec. 15. Minnesota Statutes 2024, section 296A.22, subdivision 9, is amended to read:

10.2 Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order abate any
10.3 penalty imposed under this section, if in the commissioner's opinion there is reasonable
10.4 cause to do so.

10.5 (b) A request for abatement of penalty must be filed with the commissioner within 60
10.6 days of the notice date of the penalty. For purposes of this section, "notice date" means the
10.7 notice date designated by the commissioner on the order or other notice that a penalty has
10.8 been imposed.

10.9 (c) If the commissioner issues an order denying a request for abatement of penalty, the
10.10 ~~taxpayer~~ requester may file an administrative appeal as provided in section 270C.35 or
10.11 appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an
10.12 order on the abatement request within 60 days from the date the request is received, the
10.13 ~~taxpayer~~ requester may appeal to Tax Court as provided in section 271.06.

10.14 Sec. 16. Minnesota Statutes 2024, section 296A.23, subdivision 2, is amended to read:

10.15 Subd. 2. **Willful evasion.** A person who willfully attempts in any manner to evade or
10.16 defeat any tax imposed by this chapter before the effective date of this section, including,
10.17 but not limited to, making and subscribing any false statement in any report, record, claim,
10.18 or sales ticket required by this chapter; or making a false claim for a refund under Minnesota
10.19 Statutes 2024, section 296A.16, subdivision 2, is guilty of a felony.

10.20 Sec. 17. Minnesota Statutes 2024, section 296A.23, subdivision 8, is amended to read:

10.21 Subd. 8. **Certain blending of gasoline ~~prohibited~~ permitted.** ~~The blending of gasoline~~
10.22 ~~on which the tax has been paid or the liability accrued, with any substance on which the tax~~
10.23 ~~has not been paid or the liability thereafter accrued, is prohibited.~~

10.24 ~~This section does not preclude~~ The addition of any of the various inhibitors ~~which that~~
10.25 in total do not exceed one-half of one percent by volume of the product treated, ~~nor is~~
10.26 permitted. The addition to fuel for two-cycle gasoline engines of a lubricant not exceeding
10.27 five percent by volume ~~or~~ of the product treated; ~~nor does this subdivision preclude the~~
10.28 ~~addition of~~ is permitted. Fuel oil added to gasoline for the purpose of generating power for
10.29 the propulsion of farm tractors is permitted.

11.1 Sec. 18. Minnesota Statutes 2024, section 296A.24, subdivision 1, is amended to read:

11.2 Subdivision 1. **Seizure.** The commissioner or authorized agents may seize gasoline or
 11.3 special fuel being transported for delivery in violation of section 296A.03, subdivision 1,
 11.4 and any vehicle or other method of conveyance used for transporting the gasoline or special
 11.5 fuel. ~~Any untaxed motor vehicle fuel that is received by a person other than a licensee is~~
 11.6 ~~subject to seizure along with the vehicle or other means of transportation used to transport~~
 11.7 ~~the motor vehicle fuel.~~ Any motor vehicle fuel, along with the transporting vehicle, brought
 11.8 into the state of Minnesota by a transporter for use, distribution, storage, or sale that is not
 11.9 supported by a manifest, bill of lading, or invoice, reflecting the licensed distributor
 11.10 responsible for the tax and/or fees is subject to seizure by the Minnesota Department of
 11.11 Revenue. Property seized under this subdivision is subject to forfeiture as provided in
 11.12 subdivision 2.

11.13 Sec. 19. **TRANSFERS.**

11.14 The commissioner of management and budget must transfer \$911,485,000 in fiscal year
 11.15 2026 and \$905,105,000 in fiscal year 2027 from the general fund to the highway user tax
 11.16 distribution fund. The base for this transfer is \$898,769,000 in fiscal year 2028 and
 11.17 \$892,478,000 in fiscal year 2029.

11.18 Sec. 20. **REPEALER.**

11.19 Minnesota Statutes 2024, sections 296A.01, subdivision 36; 296A.07; 296A.08;
 11.20 296A.083; 296A.09; 296A.10; 296A.11; 296A.13; 296A.14; 296A.16, subdivisions 1, 2,
 11.21 3, 4, 4a, 4b, 5, 7, and 8; 296A.17; 296A.18, subdivisions 1, 2, 3, 4, 5, 6, 6a, 7, and 8; 296A.22,
 11.22 subdivision 4; 296A.23, subdivisions 3, 4, and 6; and 296A.26, are repealed.

11.23

ARTICLE 2

11.24

CONFORMING CHANGES

11.25 Section 1. Minnesota Statutes 2024, section 84.794, subdivision 1, is amended to read:

11.26 Subdivision 1. **Registration revenue.** Fees from the registration of off-highway
 11.27 motorcycles ~~and the unrefunded gasoline tax attributable to off-highway motorcycle use~~
 11.28 ~~under section 296A.18~~ must be deposited in the state treasury and credited to the off-highway
 11.29 motorcycle account in the natural resources fund.

12.1 Sec. 2. Minnesota Statutes 2024, section 84.803, subdivision 1, is amended to read:

12.2 Subdivision 1. **Registration revenue.** Fees from the registration of off-road vehicles
 12.3 ~~and unrefunded gasoline tax attributable to off-road vehicle use under section 296A.18~~ must
 12.4 be deposited in the state treasury and credited to the off-road vehicle account in the natural
 12.5 resources fund.

12.6 Sec. 3. Minnesota Statutes 2024, section 84.83, subdivision 2, is amended to read:

12.7 Subd. 2. **Money deposited in account.** Fees from the registration of snowmobiles and
 12.8 from the issuance of snowmobile state trail passes ~~and the unrefunded gasoline tax~~
 12.9 ~~attributable to snowmobile use pursuant to section 296A.18 shall~~ must be deposited in the
 12.10 state treasury and credited to the snowmobile trails and enforcement account.

12.11 Sec. 4. Minnesota Statutes 2024, section 84.927, subdivision 1, is amended to read:

12.12 Subdivision 1. **Registration revenue.** Fees from the registration of all-terrain vehicles
 12.13 ~~and the unrefunded gasoline tax attributable to all-terrain vehicle use under section 296A.18,~~
 12.14 ~~as well as~~ the net proceeds from the sale of all-terrain vehicles forfeited pursuant to section
 12.15 169A.63, ~~shall~~ must be deposited in the state treasury and credited to the all-terrain vehicle
 12.16 account in the natural resources fund.

12.17 Sec. 5. Minnesota Statutes 2024, section 86B.706, subdivision 2, is amended to read:

12.18 Subd. 2. **Money deposited in account.** The following shall be deposited in the state
 12.19 treasury and credited to the water recreation account:

12.20 (1) fees from titling and licensing of watercraft under this chapter;

12.21 (2) fines, installment payments, and forfeited bail according to section 86B.705,
 12.22 subdivision 2;

12.23 (3) mooring fees and receipts from the sale of marine gas at state-operated or state-assisted
 12.24 small craft harbors and mooring facilities according to section 86A.21; and

12.25 ~~(4) the unrefunded gasoline tax attributable to watercraft use under section 296A.18;~~
 12.26 ~~and~~

12.27 ~~(5)~~ (4) fees for permits issued to control or harvest aquatic plants other than wild rice
 12.28 under section 103G.615, subdivision 2.

13.1 Sec. 6. Minnesota Statutes 2024, section 86B.706, subdivision 3, is amended to read:

13.2 Subd. 3. **Purposes.** The money in the account may be expended only as appropriated
13.3 by law for the following purposes:

13.4 (1) ~~as directed under section 296A.18, subdivision 2,~~ for acquisition, development,
13.5 maintenance, and rehabilitation of public water access and boating facilities on public waters;
13.6 lake and river improvements; and boat and water safety;

13.7 (2) from the fees collected at state-operated or state-assisted small craft harbors and
13.8 mooring facilities from daily and seasonal moorings and the sale of marine gas, for
13.9 maintenance, operation, replacement, and expansion of these facilities and for the debt
13.10 service on state bonds sold to finance these facilities;

13.11 (3) for administration and enforcement of this chapter as it pertains to titling and licensing
13.12 of watercraft and use and safe operation of watercraft; grants for county-sponsored and
13.13 administered boat and water safety programs; and state boat and water safety efforts;

13.14 (4) for management of aquatic invasive species and the implementation of chapter 84D
13.15 as it pertains to aquatic invasive species, including control, public awareness, law
13.16 enforcement, assessment and monitoring, management planning, and research; and

13.17 (5) for management of aquatic plants and the implementation of section 103G.615 as it
13.18 pertains to aquatic plants, including plant removal permitting, control, public awareness,
13.19 law enforcement, assessment and monitoring, management planning, and research.

13.20 Sec. 7. Minnesota Statutes 2024, section 89.70, is amended to read:

13.21 **89.70 STATE FOREST ROAD ACCOUNT.**

13.22 There is created in the state treasury a state forest road account in the special revenue
13.23 fund, ~~consisting of money credited under section 296A.18, subdivision 7.~~ Money in the
13.24 state forest road account is appropriated to the commissioner and remains available until
13.25 expended for:

13.26 (1) acquisition, development, maintenance, and administration of state forest roads under
13.27 the jurisdiction of the commissioner of natural resources; and

13.28 (2) the commissioner's share of the cost of cooperative maintenance agreements made
13.29 with other providers of forest roads.

14.1 Sec. 8. Minnesota Statutes 2024, section 89.72, is amended to read:

14.2 **89.72 COUNTY FOREST ACCESS ROAD ACCOUNT.**

14.3 There is created in the state treasury a county forest access road account in the special
 14.4 revenue fund, ~~consisting of money credited under section 296A.18, subdivision 7.~~ Money
 14.5 in the county forest access road account is appropriated to the commissioner for distribution
 14.6 to counties managing forest lands administered through a county land department under the
 14.7 jurisdiction of a land commissioner appointed under section 282.13. The payments must be
 14.8 made by July 15 and January 15 of each year through the commissioner and in proportion
 14.9 to each county's ownership of commercial forest lands, for purposes of constructing,
 14.10 reconstructing, acquiring, and maintaining county management access roads, including the
 14.11 acquisition of rights-of-way or easements as may be needed.

14.12 Sec. 9. Minnesota Statutes 2024, section 115C.08, subdivision 3, is amended to read:

14.13 Subd. 3. **Petroleum tank release cleanup fee.** A petroleum tank release cleanup fee is
 14.14 imposed on the use of tanks that contain petroleum products defined in section 296A.01.
 14.15 On products other than gasoline, the fee must be paid in the manner provided in section
 14.16 296A.15 by the first licensed distributor receiving the product in Minnesota, as defined in
 14.17 section 296A.01. When the product is gasoline, the distributor responsible for payment of
 14.18 the gasoline tax imposed before the effective date of this section is also responsible for
 14.19 payment of the petroleum tank cleanup fee. The fee must be imposed as required under
 14.20 subdivision 2, at a rate of \$20 per 1,000 gallons of petroleum products, rounded to the
 14.21 nearest 1,000 gallons. A distributor who fails to pay the fee imposed under this section is
 14.22 subject to the penalties provided in section 296A.22.

14.23 Sec. 10. Minnesota Statutes 2024, section 297A.68, subdivision 19, is amended to read:

14.24 Subd. 19. **Petroleum products.** ~~The following~~ Petroleum products regulated under
 14.25 chapter 296A are exempt:.

14.26 ~~(1) products upon which a tax has been imposed and paid under chapter 296A, and for~~
 14.27 ~~which no refund has been or will be allowed because the buyer used the fuel for nonhighway~~
 14.28 ~~use;~~

14.29 ~~(2) products that are used in the improvement of agricultural land by constructing,~~
 14.30 ~~maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water~~
 14.31 ~~impoundment, and other erosion control structures;~~

- 15.1 ~~(3) products purchased by a transit system receiving financial assistance under section~~
15.2 ~~174.24, 256B.0625, subdivision 17, or 473.384;~~
- 15.3 ~~(4) products purchased by an ambulance service licensed under chapter 144E;~~
- 15.4 ~~(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision~~
15.5 ~~39, for off-highway business use as part of the operations of a resort as provided under~~
15.6 ~~section 296A.16, subdivision 2, clause (2);~~
- 15.7 ~~(6) products purchased by a state or a political subdivision of a state for use in motor~~
15.8 ~~vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b);~~
- 15.9 ~~(7) products purchased by providers of transportation to recipients of medical assistance~~
15.10 ~~home and community-based services waivers enrolled in day programs, including adult day~~
15.11 ~~care, family adult day care, day treatment and habilitation, prevocational services, and~~
15.12 ~~structured day services;~~
- 15.13 ~~(8) products used in a motor vehicle used exclusively as a mobile medical unit for the~~
15.14 ~~provision of medical or dental services by a federally qualified health center, as defined~~
15.15 ~~under title 19 of the federal Social Security Act, as amended by section 4161 of the Omnibus~~
15.16 ~~Budget Reconciliation Act of 1990; or~~
- 15.17 ~~(9) special fuel used for one of the following purposes:~~
- 15.18 ~~(i) to power a refrigeration unit mounted on a licensed motor vehicle, provided that the~~
15.19 ~~unit has an engine separate from the one used to propel the vehicle and the fuel is used~~
15.20 ~~exclusively for the unit;~~
- 15.21 ~~(ii) to power an unlicensed motor vehicle that is used solely or primarily to move~~
15.22 ~~semitrailers within a cargo yard, warehouse facility, or intermodal facility; or~~
- 15.23 ~~(iii) to operate a power take-off unit or auxiliary engine in or on a licensed motor vehicle,~~
15.24 ~~whether or not the unit or engine is fueled from the same or a different fuel tank as that~~
15.25 ~~from which the motor vehicle is fueled.~~

APPENDIX
Article locations for 25-02126

ARTICLE 1 MOTOR FUEL TAXES ABOLISHED..... Page.Ln 1.15
ARTICLE 2 CONFORMING CHANGES..... Page.Ln 11.23

296A.01 DEFINITIONS.

Subd. 36. **Motor vehicle gasoline excise tax.** "Motor vehicle gasoline excise tax" means the tax imposed on gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state.

296A.07 GASOLINE TAX.

Subdivision 1. **Tax imposed.** There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state. The tax is imposed on the first licensed distributor who received the product in Minnesota. For purposes of this section, gasoline is defined in section 296A.01, subdivisions 8b, 10, 18, 20, 23, 24, 25, 32, and 34. The tax is payable at the time and in the form and manner prescribed by the commissioner. The tax is payable at the rates specified in subdivision 3, subject to the exceptions and reductions specified in section 296A.17.

Subd. 2. **Tax imposed for marine use.** Subject to the provisions of section 296A.16, subdivision 2, there is imposed an excise tax, at the same rate per gallon as the gasoline excise tax, on all marine gasoline received, sold, stored, or withdrawn from storage in this state. This tax is payable at the times, in the manner, and by persons specified in this chapter.

Subd. 3. **Rate of tax.** (a) Subject to paragraph (b), the gasoline excise tax is imposed at the following rates:

- (1) E85 is taxed at the rate of 17.75 cents per gallon;
- (2) M85 is taxed at the rate of 14.25 cents per gallon; and
- (3) all other gasoline is taxed at the rate of 25 cents per gallon.

(b) Annually on August 1, the commissioner must determine the tax rate applicable to the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming 12-month period beginning on January 1. The adjusted rate must equal the current rate, multiplied by one plus the percentage increase, if any, in the Minnesota Highway Construction Cost Index for the reference year. The tax rate must be rounded to the nearest tenth of a cent. Each of the tax rates for E85, M85, and all other gasoline must not be lower than the respective rates specified in paragraph (a). Beginning with the calculation on August 1, 2025, the percentage change in each of the tax rates for E85, M85, and all other gasoline as a result of the requirements under this paragraph must not exceed three percent.

(c) For purposes of this subdivision:

(1) the Minnesota Highway Construction Cost Index is as determined by the commissioner of transportation; and

(2) "reference year" means the 12-month period ending on June 30 two years prior to the year in which the calculation is made.

Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline or denatured ethanol purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384;

(2) providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services;

(3) an ambulance service licensed under chapter 144E;

(4) providers of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990, with a motor vehicle used exclusively as a mobile medical unit;

(5) a licensed distributor to be delivered to a terminal for use in blending; or

(6) a dealer of aviation gasoline, but only to the extent that the gasoline is intended to be dispensed directly into the fuel tank of an aircraft.

296A.08 SPECIAL FUEL TAX.

Subdivision 1. **Tax imposed.** (a) There is imposed an excise tax on all special fuel at the rates specified in subdivision 2. For purposes of this section, "owner or operator" means the operation of licensed motor vehicles, whether loaded or empty, whether for compensation or not for compensation, and whether owned by or leased to the motor carrier who operates them or causes them to be operated.

(b) For undyed diesel fuel and undyed kerosene, the tax is imposed on the first licensed distributor who received the product in Minnesota.

(c) For dyed fuel being used illegally in a licensed motor vehicle, the tax is imposed on the owner or operator of the motor vehicle.

(d) For dyed fuel used in a motor vehicle but subject to a federal exemption, although no federal tax may be imposed, the owner or operator of the vehicle is liable for the state tax.

(e) For other fuels, including jet fuel, propane, and compressed natural gas, the tax is imposed on the distributor, special fuel dealer, or bulk purchaser.

(f) Any person delivering special fuel on which the excise tax has not previously been paid, into the supply tank of an aircraft or a licensed motor vehicle shall report such delivery and shall pay, or collect and pay the excise tax on the special fuel so delivered to the commissioner.

Subd. 2. **Rate of tax.** (a) Subject to paragraph (b), the special fuel excise tax is imposed at the following rates:

(1) liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon;

(2) liquefied natural gas is taxed at the rate of 15 cents per gallon;

(3) compressed natural gas is taxed at the rate of \$1.974 per thousand cubic feet or 25 cents per gasoline equivalent; and

(4) all other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2.

(b) Annually on August 1, the commissioner must determine the tax rate applicable to the sale of E85, M85, and all other gasoline subject to tax under this section for the upcoming 12-month period beginning on January 1. The rate must be adjusted as provided in section 296A.07, subdivision 3, paragraph (b). The tax rate must be rounded to the nearest tenth of a cent. Each of the tax rates for liquefied natural gas or propane, liquefied natural gas, compressed natural gas, and all other special fuel must not be lower than the respective rates specified in paragraph (a).

(c) The tax is payable in the form and manner prescribed by the commissioner.

(d) For purposes of this subdivision, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

Subd. 3. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to special fuel or alternative fuels purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384;

(2) providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services;

(3) an ambulance service licensed under chapter 144E;

(4) providers of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990, with a motor vehicle used exclusively as a mobile medical unit; or

(5) a licensed distributor to be delivered to a terminal for use in blending.

Subd. 4. **Tax imposed on use.** If it is determined by the commissioner from an examination of any records pertaining to the operation of any licensed motor vehicle which uses special fuel, that the special fuel tax on the special fuel used in this state has not been paid to this state, or to any other state if purchased in such other state, there is hereby imposed an excise tax at the same rate per gallon as the gasoline tax, on all such special fuel. All assessments of tax made under this

subdivision shall be paid by the user to the commissioner upon demand. For purposes of this subdivision, "special fuel" means any fuel other than gasoline used in a licensed motor vehicle in this state.

Subd. 5. **Intended use.** All special fuel except that used for aviation fuel shall be deemed to be intended for use in a licensed motor vehicle in this state at the time of sale or delivery.

Subd. 6. **Liability for failure to keep adequate records.** If adequate records are not kept, or if the sales are not adequately accounted for, then all sales of combustible gases and liquid petroleum products, except gasoline, are deemed to be sales of special fuel. In such cases, there is imposed an excise tax of the same rate per gallon as the gasoline excise tax on all such products, and the vendor is liable for the tax.

296A.083 DEBT SERVICE SURCHARGE.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given them:

(1) "debt service" means the amount of principal and interest in each fiscal year attributable to the trunk highway bonds authorized in Laws 2008, chapter 152, article 2; and

(2) "surcharge" means the rate imposed under this section on gasoline taxed under section 296A.07, subdivision 3, clause (3), and includes a proportional rate for each type of fuel taxed under sections 296A.07, subdivision 3, clauses (1) and (2), and 296A.08, subdivision 2.

Subd. 2. **Debt service forecast.** On April 1 each year, the commissioner of management and budget shall report to the commissioner of revenue on trunk highway debt service. The report must include the annual amount of revenue from the surcharge previously deposited in the trunk highway fund, and a forecast of the total and annual amounts necessary to pay the remaining debt service.

Subd. 3. **Surcharge rate.** (a) By May 1 each year, the commissioner of revenue shall calculate and publish a surcharge as provided in paragraph (b). The surcharge is imposed beginning July 1 of the year it is published through June 30 of the following year.

(b) The commissioner shall set the surcharge at the lesser of (1) 3.5 cents, or (2) an amount calculated so that the total proceeds from the surcharge deposited in the trunk highway fund from fiscal year 2009 to the upcoming fiscal year equals the total amount of debt service from fiscal years 2009 to 2039, and the surcharge is rounded to the nearest 0.1 cent.

Subd. 4. **Apportionment.** The surcharge under this section is subject to the apportionment provisions of section 296A.18.

296A.09 AVIATION TAX.

Subdivision 1. **Gasoline tax imposed.** Subject to any refunds or credits there is imposed an excise tax, at the rate of five cents per gallon on all aviation gasoline received, sold, stored, or withdrawn from storage in this state. Aviation gasoline is defined in section 296A.01, subdivision 7.

Subd. 2. **Jet fuel and special fuel tax imposed.** There is imposed an excise tax of 15 cents per gallon on all jet fuel or special fuel received, sold, stored, or withdrawn from storage in this state, for use as substitutes for aviation gasoline and not otherwise taxed as gasoline. Jet fuel is defined in section 296A.01, subdivision 8.

Subd. 3. **Exception to tax for aviation use.** The provisions of subdivisions 1 and 2 do not apply to aviation gasoline or special fuel purchased and placed in the fuel tanks of an aircraft outside the state, even though the gasoline may be consumed within this state.

Subd. 4. **Manner of payment.** These taxes are payable in the form and manner prescribed by the commissioner.

Subd. 5. **Tax not on consumption.** The taxes imposed by subdivisions 1 and 2 are expressly declared not to be a tax upon consumption of aviation gasoline or special fuel by an aircraft.

Subd. 6. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to aviation gasoline or jet fuel purchased by an ambulance service licensed under chapter 144E.

296A.10 LIABILITY FOR UNPAID TAX.

Subdivision 1. **Unreported fuel.** It is the duty of every distributor, dealer, and person who sells or uses gasoline manufactured, produced, received, or stored by the distributor, dealer, or person,

and of every person using gasoline in motor vehicles or special fuel in licensed motor vehicles to know whether the tax has been paid on the fuel. If the tax has not been reported or if the tax has not been paid, it is that person's duty to report to the commissioner the quantity of the gasoline or special fuel sold or used and to pay the tax as provided in this chapter. All provisions of this chapter relating to the calculation, collections, and payment of the tax shall be applicable to any such person, dealer, or distributor.

Subd. 2. **Unreported aviation gasoline.** The provisions of subdivision 1 do not apply to aviation gasoline. It is the duty of every distributor, dealer, and person who receives, sells, stores, or withdraws from storage in this state aviation gasoline manufactured, produced, received, or stored by the distributor, dealer, or person to know whether the tax has been paid on the aviation gasoline. If the fuel has not been reported, or if the tax has not been paid to the commissioner, it is that person's duty to report to the commissioner the quantity of such gasoline so received, sold, stored, or withdrawn from storage. That person is also liable for the payment of the tax. All provisions of this chapter relating to the calculation, collections, and payment of the tax apply to any such person, dealer, or distributor.

296A.11 SELLER MAY COLLECT TAX.

A person who directly or indirectly pays a gasoline or special fuel tax as provided in this chapter and who does not in fact use the gasoline or special fuel in motor vehicles in this state or receive, store, or withdraw it from storage to be used personally for the purpose of producing or generating power for propelling aircraft, but sells or otherwise disposes of the same, except as provided in section 296A.16, subdivision 3, is hereby authorized to collect, from the person to whom the gasoline or special fuel is so sold or disposed of, the tax so paid, and is hereby required, upon request, to make, sign, and deliver to such person an invoice of such sale or disposition. The sums collected must be held as a special fund in trust for the state of Minnesota.

296A.13 PERSONAL LIABILITY FOR TAX.

Liability for payment of taxes under this chapter includes a responsible person or entity described in the personal liability provisions of section 270C.56.

296A.14 TAX AS PERSONAL DEBT OF FIDUCIARY.

The tax imposed by this chapter, and interest and penalties, is a personal debt of the taxpayer from the time the liability arises, regardless of when the time for discharging the liability by payment occurs. The debt is, in the case of any fiduciary, that of the individual in the individual's official or fiduciary capacity only, unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which event the individual is personally liable for the deficiency.

296A.16 REFUND OR CREDIT.

Subdivision 1. **Credit or refund of gasoline or special fuel tax paid.** The commissioner shall allow the distributor credit or refund of the tax paid on gasoline and special fuel:

- (1) exported or sold for export from the state, other than in the supply tank of a motor vehicle or of an aircraft;
- (2) sold to the United States government to be used exclusively in performing its governmental functions and activities or to any "cost plus a fixed fee" contractor employed by the United States government on any national defense project;
- (3) if the fuel is placed in a tank used exclusively for residential heating;
- (4) destroyed by accident while in the possession of the distributor;
- (5) in error;
- (6) in the case of gasoline only, sold for storage in an on-farm bulk storage tank, if the tax was not collected on the sale; and
- (7) in such other cases as the commissioner may permit, consistent with the provisions of this chapter and other laws relating to the gasoline and special fuel excise taxes.

Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who paid the tax directly or indirectly through the amount of the tax being included in the price

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of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim for refund in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this chapter for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of management and budget. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code as defined in section 289A.02, subdivision 7.

(2) Gasoline or special fuel used for off-highway business use.

(i) "Off-highway business use" means any use off the public highway by a person in that person's trade, business, or activity for the production of income.

(ii) Off-highway business use includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

(iii) Off-highway business use does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

Subd. 3. Destruction by accident; refund to dealer. Notwithstanding the provisions of subdivision 1, the commissioner shall allow a dealer a refund of:

(1) the tax paid by the distributor on gasoline, undyed diesel fuel, or undyed kerosene destroyed by accident while in the possession of the dealer; or

(2) the tax paid by a distributor or special fuels dealer on other special fuels destroyed by accident while in the possession of the dealer.

Subd. 4. Refrigerator units; refunds. Notwithstanding the provisions of subdivision 1, the commissioner shall allow a special fuel dealer a refund of the tax paid on fuel sold directly into a supply tank of a refrigeration unit with a separate engine and used exclusively by that refrigeration unit. A claim for refund may be filed as provided in this section.

Subd. 4a. Undyed kerosene; refunds. Notwithstanding subdivision 1, the commissioner shall allow a refund of the tax paid on undyed kerosene used exclusively for a purpose other than as fuel for a motor vehicle using the streets and highways. To obtain a refund, the person making the sale to an end user must meet the Internal Revenue Service requirements for sales from a blocked pump. A claim for a refund may be filed as provided in this section.

Subd. 4b. Racing gasoline; refunds. Notwithstanding subdivision 1, the commissioner shall allow a licensed distributor a refund of the tax paid on leaded gasoline of 110 octane or more that does not meet ASTM specification D4814 for gasoline and that is sold in bulk for use in nonregistered motor vehicles. A claim for a refund may be filed as provided for in this section.

Subd. 5. Qualifying service station credit. Notwithstanding any other provision of law to the contrary, the tax imposed on gasoline, undyed diesel fuel, or undyed kerosene delivered to a qualified service station may not exceed, or must be reduced to, a rate not more than three cents per gallon above the state tax rate imposed on such products sold by a service station in a contiguous state

located within the distance indicated in this subdivision. A distributor shall be allowed a credit or refund for the amount of reduction computed in accordance with this subdivision. For purposes of this subdivision, a "qualifying service station" means a service station located within 7.5 miles, measured by the shortest route by public road, from a service station selling like product in the contiguous state.

Subd. 7. **Civil penalty for filing false claim.** A person who violates section 296A.23, subdivision 1, shall forfeit the full amount of the claim. In addition, a person who is convicted under section 296A.23 for filing a false statement or claim shall, in addition to any criminal penalties imposed, be prohibited from filing with the commissioner any claim for refund upon gasoline purchased within six months after such conviction.

Subd. 8. **Appropriation.** There is appropriated to the persons entitled to refund or credit under this section, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the credit or refund.

296A.17 AVIATION REFUND.

Subdivision 1. **Aviation refund requirements.** Any person claiming to be entitled to any refund or credit provided for in subdivision 3 shall receive the refund or credit upon filing with the commissioner a claim in such form and manner prescribed by the commissioner. The claim shall set forth, among other things, the total number of gallons of aviation gasoline or special fuel for aircraft use upon which the claimant has directly or indirectly paid the excise tax provided for in this chapter, during the calendar year, which has been received, stored, or withdrawn from storage by the claimant in this state and not sold or otherwise disposed of to others. All claims for refunds under this subdivision shall be made on or before April 30 following the end of the calendar year for which the refund is claimed.

Subd. 2. **Claim for refund; aviation tax.** (a) Any person who buys aviation gasoline or special fuel for aircraft use and who has paid the excise taxes directly or indirectly through the amount of the tax being included in the price, or otherwise, who does not use it in motor vehicles or receive, sell, store, or withdraw it from storage for the purpose of producing or generating power for propelling aircraft, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim in the form and manner prescribed by the commissioner. The claim shall state the total amount of the aviation gasoline or special fuel for aircraft use purchased and used by the applicant, and shall state when and for what purpose it was used. On being satisfied that the claimant is entitled to payment, the commissioner shall approve the claim and transmit it to the commissioner of management and budget. The postmark on the envelope in which a written claim is mailed determines the date of filing.

(b) If a claim contains an error in preparation in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner.

(c) An applicant who files a claim that is false or fraudulent, is subject to the penalties provided in section 296A.23 for knowingly and willfully making a false claim.

Subd. 3. **Refund on graduated basis.** Any person who has directly or indirectly paid the excise tax on aviation gasoline or special fuel for aircraft use provided for by this chapter and has either paid the airflight property tax under section 270.072 or is an aerial applicator with a category B, general aerial license, under section 18B.33, shall, as to all such aviation gasoline and special fuel received, stored, or withdrawn from storage by the person in this state in any calendar year and not sold or otherwise disposed of to others, or intended for sale or other disposition to others, on which such tax has been so paid, be entitled to the following graduated reductions in such tax for that calendar year, to be obtained by means of the following refunds:

(1) on each gallon of aviation gasoline or special fuel up to 50,000 gallons, all but five cents per gallon;

(2) on each gallon of aviation gasoline or special fuel above 50,000 gallons and not more than 150,000 gallons, all but two cents per gallon;

(3) on each gallon of aviation gasoline or special fuel above 150,000 gallons and not more than 200,000 gallons, all but one cent per gallon;

(4) on each gallon of aviation gasoline or special fuel above 200,000, all but one-half cent per gallon.

Subd. 4. **Aviation gasoline tax refund claim; civil penalty.** If any distributor or other person, with intent to unlawfully secure any refund provided for in subdivision 3, shall knowingly file a false or fraudulent claim, there is imposed upon the person a penalty in an amount equal to 50 percent of the amount of the refund unlawfully secured, in addition to that amount. The penalty imposed by this subdivision shall be collected as part of the tax.

Subd. 5. **Appropriation.** There is appropriated to the persons entitled to refund under this section, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the credit or refund. All money in excess of the amount the commissioner certifies is reasonably required for the refunds must be transferred by the commissioner of management and budget to the state airports fund.

296A.18 APPORTIONMENT OF TAX; DEPOSIT OF PROCEEDS.

Subdivision 1. **Intent; gasoline use.** All gasoline received in this state and all gasoline produced in or brought into this state except aviation gasoline and marine gasoline shall be determined to be intended for use in motor vehicles in this state.

Subd. 2. **Motorboat.** Approximately 1-1/2 percent of all gasoline received in this state and 1-1/2 percent of all gasoline produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of motorboats on the waters of this state and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, 1-1/2 percent of the revenue is the amount of tax on fuel used in motorboats operated on the waters of this state. The amount of unrefunded tax paid on gasoline used for motor boat purposes as computed in this chapter shall be paid into the state treasury and credited to a water recreation account in the special revenue fund for acquisition, development, maintenance, and rehabilitation of sites for public access and boating facilities on public waters; lake and river improvement; and boat and water safety.

Subd. 3. **Snowmobile.** Approximately one percent of all gasoline received in and produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of snowmobiles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, one percent of such revenues is the amount of tax on fuel used in snowmobiles operated in this state.

Subd. 4. **All-terrain vehicle.** Approximately 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

Subd. 5. **Off-highway motorcycles.** Approximately 0.046 of one percent of all gasoline received or produced in or brought into this state, except gasoline used for aviation purposes, is being used for the operation of off-highway motorcycles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, 0.046 of one percent is the amount of tax on fuel used in off-highway motorcycles operated in this state.

Subd. 6. **Off-road vehicle.** Approximately 0.164 of one percent of all gasoline received or produced in or brought into this state, except gasoline used for aviation purposes, is being used for the off-road operation of off-road vehicles, as defined in section 84.797, in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than aviation purposes, 0.164 of one percent is the amount of tax on fuel used for off-road operation of off-road vehicles in this state.

Subd. 6a. **Computation of nonhighway use amounts.** The nonhighway use amounts determined in subdivisions 2 to 6 must be transferred from the highway user tax distribution fund to the accounts as provided for in sections 84.794, 84.803, 84.83, 84.927, and 86B.706. These amounts, together with interest and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter, must be computed for each six-month period ending June 30 and December 31 and must be transferred on November 1 and April 1 following each six-month period.

Subd. 7. **Forest road.** Approximately 0.116 percent of the total annual unrefunded revenue from the gasoline fuel tax on all gasoline and special fuel received in, produced, or brought into this state, except gasoline and special fuel used for aviation purposes, is derived from the operation of motor vehicles on state forest roads and county forest access roads. This revenue, together with interest and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter, is appropriated from the highway user tax distribution fund and must be transferred

and credited in equal installments on July 1 and January 1 to the state forest road account established in section 89.70. Of this amount, 0.0605 percent is annually derived from motor vehicles operated on state forest roads and 0.0555 percent is annually derived from motor vehicles operated on county forest access roads in this state. An amount equal to 0.0555 percent of the unrefunded revenue must be annually transferred to counties for the management and maintenance of county forest roads.

Subd. 8. **Airports.** The revenues derived from the excise taxes on aviation gasoline and on special fuel received, sold, stored, or withdrawn from storage as substitutes for aviation gasoline, shall be paid into the state treasury and credited to the state airports fund. There is hereby appropriated such sums as are needed to carry out the provisions of this subdivision.

296A.22 NONPAYMENT OF TAX; CIVIL PENALTIES.

Subd. 4. **Unlawful use of dyed fuel.** (a) If any dyed fuel is sold or held for sale by a person for any use which the person knows or has reason to know is not a nontaxable use of the fuel; or if any dyed fuel is held for use or used in a licensed motor vehicle or for any other use by a person for a use other than a nontaxable use and the person knew, or had reason to know, that the fuel was so dyed; or if a person willfully alters, or attempts to alter, the strength or composition of any dye or marking in any dyed fuel, then the person shall pay a penalty in addition to the tax, if any.

(b) Except as provided in paragraph (c), the amount of penalty under paragraph (a) for each act is the greater of \$1,000, or \$10 for each gallon of dyed fuel involved.

(c) With regard to a multiple violation under paragraph (a), the penalty shall be applied by increasing the amount in paragraph (b) by the product of (1) such amount, and (2) the number of prior penalties, if any, imposed by this section on the person, or a related person, or any predecessor of the person or related person.

(d) If a penalty is imposed under this subdivision on a business entity, each officer, employee, or agent of the entity who willfully participated in any act giving rise to the penalty is jointly and severally liable with the entity for the penalty.

296A.23 CRIMINAL PENALTIES.

Subd. 3. **Operation of vehicle without payment of tax.** A person who operates, or causes to be operated, a licensed motor vehicle on the public highways of this state on special fuel on which the excise tax provided by this chapter has not been paid, or the liability assumed by another person licensed under this chapter, is guilty of a misdemeanor.

Subd. 4. **Use of untaxed fuel in motor vehicle.** A person who uses gasoline, which has been delivered into an on-farm bulk storage tank, and on which no tax has been paid as provided in section 296A.15, subdivision 5, and who uses this gasoline for propelling a motor vehicle on the public highways of this state is guilty of a misdemeanor.

Subd. 6. **Fiduciary relationship established.** A person other than the commissioner who is authorized to collect excise taxes on behalf of the state of Minnesota, establishes a fiduciary relationship, and whoever violates that relationship is guilty of a violation of this chapter, and of section 609.54, and may be punished accordingly.

296A.26 JUDICIAL REVIEW; APPEAL TO TAX COURT.

In lieu of an administrative appeal under section 270C.35, any person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.