

## IRS Requirements for the Sale of Tax-Free, Undyed Kerosene

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Internal Revenue Service regulations allow for the tax-free sale of undyed kerosene at retail dispensers. Such sales are allowed so long as the undyed kerosene is sold from a “blocked pump”.

Energy marketers may apply for a credit or refund of the federal tax on undyed kerosene provided the following conditions are met:

- The undyed kerosene is sold for a non-taxable use.
- The undyed kerosene is dispensed from a “blocked pump.”
- For purchases of five gallons or more, the vendor must record the date of sale, name and address of the buyer, and the number of gallons of kerosene sold to the buyer.

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 is in a fixed location.
- The dispenser is identified with a legible and conspicuous notice stating: “UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY”

The dispenser cannot reasonably be used to dispense fuel directly into the tank of a diesel-powered highway vehicle. This can be achieved by one of three methods:

- Use of a short hose that cannot reach the tank of a diesel-powered highway vehicle.
- Use of barriers that prevent the vehicle from reaching the hose nozzle. OR
- Vendor locks the dispenser after each sale and unlocks only in response to a buyer’s request for undyed kerosene for use as fuel other than in a diesel-powered highway vehicle.

The vendor selling the undyed tax-free kerosene from a blocked pump is the only party allowed to file a claim for a credit or refund on federally imposed excise tax.

Before filing a claim, the vendor must first obtain an IRS 637 ultimate vendor registration (637 UV) number by filling out and submitting IRS Form 637.

A credit or refund may be submitted every seven days for claims exceeding \$100.

IRS forms 8849 or 4136 must be used to file the claim for sales of undyed kerosene from a blocked pump. The claimant must write the word “KEROSENE” on the top of the credit or refund form submitted to the IRS.

**Important!** Tax-free undyed kerosene with a sulfur content over 15 ppm can only be used for heating purposes. In this case, both the IRS dispenser label above is required along with the following EPA sulfur content dispenser label:

**KEROSENE HEATING OIL**  
**(May Exceed 500 PPM Sulfur)**

**WARNING!**

**Federal law prohibits use in highway vehicles or engines, or in non-road locomotive or marine diesel engines. Its use may damage these diesel engines.**