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# Dyed Diesel/Kerosene Dispensers: Petroleum Marketers Association of America Publication Notes IRS Enforcement Activity Targeting Labeling Violations

## Arkansas Environmental, Energy, and Water Law Blog

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The Petroleum Marketers Association of America ("PMAA") in the August 19<sup>th</sup> edition of its weekly publication *PMAA Weekly Review* ("Review") notes that the organization is:

...continuing to receive calls about IRS enforcement of dispenser labeling requirements.

PMAA is a federation of 47 state (including the Arkansas Oil Marketers Association) and regional trade associations representing approximately 8,000 independent petroleum marketers nationwide.

The *Review* notes that the Internal Revenue Service ("IRS") requires all dyed diesel and dyed kerosene dispensers to have a specific label indicating that the fuels were nontaxable use only. The organization further notes that IRS penalties for incorrect or missing labels can be significant.

The IRS is stated to have "stepped up" enforcement of the dispenser label requirements nationwide. Further, the *Review* clarifies labeling requirements noting:

... that the EPA's PSD and ULSD dispenser labels – which also provide notice on nontaxable uses of these fuels – are NOT a replacement for the IRS labels. Both the IRS and EPA labels are required despite their apparent redundancy.

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.

