CHAPTER 261
LIQUEFIED PETROLEUM GAS—COMPRESSED NATURAL GAS—LIQUEFIED NATURAL GAS—HYDROGEN

[Prior to 1/1/96, see 701—Ch 65]
[Prior to 9/7/22, see Revenue Department[701] Ch 69]

Chapter rescission date pursuant to Iowa Code section 17A.7: 4/23/30

701—261.1(452A) Definitions and applicability.

261.1(1) For the purpose of this chapter, terms have the same meaning as provided in Iowa Code sections 452A.2 and 452A.57 and rule 701—259.1(452A). Additionally, the following definitions apply:

"C.N.G." means compressed natural gas.

"Invoiced gallons" means gross gallons as shown on the bill of lading or invoice. A temperature-adjusted method may be used as it applies to liquefied petroleum gas.

"Licensed metered pumps or metered pumps" means pumps that have been metered, inspected, tested for accuracy, sealed and licensed by the state department of agriculture pursuant to Iowa Code section 452A.8(2).

"Licensed metered storage or metered storage" means storage facilities containing "licensed metered pumps."

"L.N.G." means liquefied natural gas.

"L.P.G." means liquefied petroleum gas.

"Owner" means and includes the owner or the employees, agents, or persons under the control of the owner.

"Special fuel" means liquefied petroleum gas, liquefied natural gas, compressed natural gas, or hydrogen.

261.1(2) *Applicability of other rules.* All rules in 701—Chapters 259 and 260 apply if not specifically stated in this chapter.

This rule is intended to implement Iowa Code chapter 452A.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.2(452A) Tax rates—time tax attaches—responsible party—payment of the tax.

261.2(1) *Attachment of tax.*

a. *L.P.G.* The excise tax on L.P.G. attaches when the special fuel is placed in a fuel supply tank of a motor vehicle.

b. *C.N.G., L.N.G., and hydrogen.* The excise tax on C.N.G. and L.N.G. attaches at the time of delivery into equipment for compressing the gas for subsequent delivery into the fuel supply tank of a motor vehicle.

261.2(2) *Responsibility for collection and remittance.* The person responsible for the tax must collect the tax from the purchaser and remit the tax to the department. Iowa Code section 452A.8(2)*"e"* contains more information on the person responsible for the tax.

261.2(3) *Licensing.* The person responsible for placing L.P.G. into the fuel supply tank of a motor vehicle and the person responsible for placing C.N.G., L.N.G., or hydrogen into compressing equipment must hold a license as a dealer or user as defined in Iowa Code section 452A.4.

261.2(4) *Returns.* The return and tax are due no later than the last day of the month following the month the L.P.G. was placed in a vehicle or C.N.G., L.N.G., or hydrogen was placed into compressing equipment. The tax must be remitted by means of electronic funds transfer, unless the licensee can show that this method of payment would cause undue hardship on the licensee. The return must be remitted by means of electronic transmission.

261.2(5) *Penalty and interest.* Rule 701—259.8(452A) provides information on penalty and interest.

This rule is intended to implement Iowa Code section 452A.8.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.3(452A) Persons authorized to place L.P.G., L.N.G., C.N.G., or hydrogen in the fuel supply tank of a motor vehicle.

261.3(1) *Generally.* The only persons authorized to place L.P.G., L.N.G., C.N.G., or hydrogen into the fuel supply tank of a motor vehicle are: licensed L.P.G., L.N.G., C.N.G., or hydrogen dealers, or licensed L.P.G., L.N.G., C.N.G., or hydrogen users.

261.3(2) *L.P.G., L.N.G., C.N.G., or hydrogen dealer's license.* Anyone who delivers untaxed L.P.G. into the fuel supply tank of a motor vehicle or places untaxed C.N.G., L.N.G., or hydrogen into compression equipment must be licensed as an L.P.G., L.N.G., C.N.G., or hydrogen dealer. A dealer may also fuel the dealer's own vehicles under this license.

261.3(3) *L.P.G., L.N.G., C.N.G., or hydrogen user's license.* Anyone who delivers untaxed L.P.G., L.N.G., C.N.G., or hydrogen upon which fuel tax has not been previously paid, into the fuel supply tank of a motor vehicle, which tank is owned or leased by the person delivering it and which vehicle will be for highway use, must be licensed as an L.P.G., L.N.G., or C.N.G. user. If that same person delivers the fuel into tanks owned by others, that person must be licensed as a dealer in lieu of being licensed as a user.

261.3(4) *L.P.G. "mobile" tank authorization.*

a. When a person has an L.P.G. storage tank which is "mobile" and the storage is moved from location to location, that person may be issued an L.P.G. user's license.

(1) This licensee will be allowed to move the storage tank to a new location without procuring a new license for each new location.

(2) The issuance of this license is discretionary with the director, and the license will be issued only when the person requesting the license shows a need for mobile storage.

(3) The license will be issued to the licensee at the licensee's principal place of business, and each mobile storage tank is deemed a separate pump at that location.

b. The operation of such licensed mobile storage shall be subject to the following conditions:

(1) Each mobile storage tank must:

1. Be fixed with licensed, metered pumps.
2. Be assigned a separate number.
3. Have the gallonage reported on a per-tank basis.
4. Display in a size no smaller than six inches in height and ¾ inches in width, the unit number and licensee's license number.

(2) There may be a total of only nine mobile storage tanks operated under a single license. If the licensee operates more than nine such storage tanks, the licensee must obtain a separate license for each multiple of nine or fraction thereof.

(3) When a licensee changes the licensee's principal place of business, the licensee is responsible for canceling the license and must apply for a new license for the new principal place of business.

(4) All records required to be kept shall be maintained at the licensee's principal place of business.

(5) Except for the requirement of having a separate license for each location where L.P.G. is used, the licensee is subject to all the requirements of other licensed L.P.G. users.

261.3(5) *Authorization for emergency filling by distributors.*

a. Upon request from a stranded motorist, L.P.G. distributors may place up to 20 gallons of L.P.G. into the fuel supply tank of a stranded vehicle without being considered an unlicensed L.P.G. dealer in violation of Iowa Code section 452A.74(1).

b. For emergency fills, distributors must remit the tax on a licensed dealer form and pay the tax before the last day of the month following the month of the emergency fill.

This rule is intended to implement Iowa Code section 452A.8.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.4(452A) Requirements to be licensed. To become licensed as an L.P.G., L.N.G., C.N.G., or hydrogen user or dealer, a person must file with the department a completed application form for the appropriate license. A separate license is required for each place of business or location where L.P.G., L.N.G., C.N.G., or hydrogen is regularly delivered or placed into the fuel supply tank of motor vehicles. Iowa Code section 452A.4 and 701—subrule 259.18(1) contain licensing requirements.

This rule is intended to implement Iowa Code section 452A.8.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.5(452A) Licensed metered pumps.

261.5(1) *Location pumps.*

a. *Criteria.* In order for the department to grant a L.P.G, L.N.G, C.N.G, or hydrogen dealer or user license, all pumps designed to fuel motor vehicles at a location must be:

(1) Metered,

(2) Inspected,

(3) Tested for accuracy,

(4) Sealed, and

(5) Licensed by the department of agriculture and land stewardship.

b. *Multiple pumps.* If there is more than one pump at a location to be licensed, each pump will be assigned a separate pump number, and the licensee will report the gallonage each month with reference to such number.

261.5(2) *Temperature correction.*

a. Each L.P.G. distributor, dealer, or user may elect to measure L.P.G. for the tax purposes either temperature compensated to 60°F, or without temperature compensation.

b. If the L.P.G. distributor, dealer, or user elects to measure L.P.G. temperature compensated to 60°F for tax purposes, the L.P.G. distributor, dealer or user must use meters that are of an automatic temperature compensating type that compute gross gallons corrected to 60°F.

This rule is intended to implement Iowa Code section 452A.8.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.6(452A) Single license for each location.

261.6(1) *Place of business or location.* A single license is required for each separate place of business or location where L.P.G., L.N.G., C.N.G., or hydrogen is delivered into the fuel supply tank of a motor vehicle.

a. All dealer or user operations at that location will be conducted under that license.

b. A licensee may have a different type of license (dealer, user) for each separate location where L.P.G., L.N.G., C.N.G., or hydrogen is dispensed.

EXAMPLE: If a licensee holds an L.P.G., L.N.G., C.N.G., or hydrogen dealer's license for location A and an L.P.G., L.N.G., C.N.G., or hydrogen user's license for location B, the licensee may sell fuel to others or fuel the licensee's own vehicles at location A, but the licensee may only fuel the licensee's own vehicles at location B.

261.6(2) *Reports.*

a. For reporting purposes, a licensee may file a separate return for each license.

b. Consolidated returns.

(1) A licensee may file a consolidated return reporting all sales made at all locations for which a license is held if authorized by the department.

(2) A consolidated return may not be used to combine dealer and user operations. All working papers used in the preparation of the information required must be available for examination by the department.

This rule is intended to implement Iowa Code section 452A.4.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.7(452A) Dealer's and user's license nonassignable.

261.7(1) *Generally.* An L.P.G., L.N.G., C.N.G., or hydrogen dealer's license or user's license cannot be assigned.

261.7(2) *Situations considered assignments.* The following is a nonexclusive list of situations that will be considered an assignment and therefore require an application for a new license:

a. A change in the name under which the licensee conducts business.

b. A change in the location where the business is conducted.

c. A sale of the business, even if the new owner(s) operates under the same business name.

d. A merger or other business combination that results in a new or different entity.

This rule is intended to implement Iowa Code section 452A.4.
[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.8(452A) Separate storage—bulk sales—highway use.

261.8(1) If a person is operating as an L.P.G. dealer's or user's licensee and also makes bulk sales for nonhighway use, the licensee must maintain separate storage for bulk sales and sales for highway use.

261.8(2) If any amount of L.P.G. in a storage facility is used directly from bulk storage for highway purposes or if the storage is connected to a device which is designed in such a way as to be able to fuel motor vehicles, all fuel dispensed from the storage shall be dispensed through licensed metered pumps.

261.8(3) Tax is due on all fuel dispensed through licensed metered pumps unless such fuel is exempt as evidenced by exemption certificates.

This rule is intended to implement Iowa Code section 452A.8.
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701—261.9(452A) Combined storage—bulk sales—highway sales or use.

261.9(1) *Generally.* If a person is operating as an L.P.G. dealer's or user's licensee, L.P.G. may be dispensed for bulk nontaxable sales and for taxable highway sales from the same storage if, and only if, the following requirements are complied with:

a. All pumps that are of such a design to be able to fuel motor vehicles must be licensed, sealed, metered, and inspected as provided in rule 701—261.3(452A).

b. All fuel passing through the pumps is taxed unless supported by exemption certificates.

c. All pumps that are not licensed, sealed, metered, and inspected are of such a design that it is impossible to use them to place fuel into the fuel supply tank of a motor vehicle.

d. Accurate records are kept showing all purchases of fuel and all nontaxable bulk sales of fuel.

261.9(2) *Presumption.* All L.P.G. placed in this combined storage is presumed to be for highway use and taxable unless supported by exemption certificates (for fuel passing through the licensed pumps) or detailed records showing bulk sales for nonhighway use or to other users or dealers (for fuel passing through the nonlicensed pumps).

261.9(3) *Separate storage.* If at any time the licensee fails to comply with the requirements of this rule, separate storage for taxable sales and nontaxable bulk sales will be required under rule 701—261.8(452A).

This rule is intended to implement Iowa Code section 452A.8.
[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.10(452A) Exemption certificates.

261.10(1) *Certificate use.*

a. If L.P.G. is dispensed from metered highway storage for other than highway purposes, an exemption certificate must be completed by the seller and signed by the purchaser.

b. The dealer or user must retain completed exemption certificates.

c. Certificate information. The exemption certificate must include but is not limited to the following information:

(1) Date,

(2) Seller's name and license number,

(3) Invoice number covering the fuel sold if sold by a dealer,

(4) Identification of fuel's intended use,

(5) Name, address, and signature of the purchaser or user.

d. The exemption certificate will be provided by the department, or a dealer or user may provide the exemption certificate if it contains all information required by the director.

261.10(2) *Exempt sales.*

a. *Exempt sale types.* Exempt sales of L.P.G. from metered highway storage are limited to the following uses:

(1) Placed directly into a fuel supply tank that is connected to the heating or cooling unit installed on a highway "reefer" unit, provided the fuel supply tank is not connected nor has provisions for connection directly or indirectly to the power source of the highway motor vehicle.

(2) Placed directly into the fuel supply tank of a nonhighway motor vehicle.

(3) Placed into carryout containers.

b. *Nonexempt sales.* All other sales for other than highway use must be from bulk storage and not from metered highway storage.

This rule is intended to implement Iowa Code section 452A.8.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.11(452A) L.P.G. sold to the state of Iowa, its political subdivisions, contract carriers under contract with public schools to transport pupils or regional transit systems.

261.11(1) *Exempt sales.*

a. If L.P.G. is sold to the state of Iowa, its agencies, a political subdivision of the state, or a regional transit system for public use, or a use specified in Iowa Code section 452A.57(11), and placed in storage, it may be sold tax-free.

b. Fuel sold by a dealer and delivered directly into the fuel supply tank of a motor vehicle must be sold tax-paid.

c. Since the L.P.G. delivered into storage is not subject to tax, the governmental unit or regional transit system need not be licensed as a special fuel user. However, if the L.P.G. is used by a governmental unit or regional transit system for other than "public purposes," it must obtain a user's license and pay the tax on all highway L.P.G. used from the storage.

261.11(2) *L.P.G. sold to a contract carrier under contract with public schools to transport pupils.*

a. When special fuel is sold directly to contract carriers who have a contract with a public school under Iowa Code section 285.5 for the transportation of pupils of an approved public or nonpublic school, the fuel shall be sold tax-paid.

b. If the contract carrier is licensed as an L.P.G. fuel dealer or user, the licensee may buy the fuel tax-free, but the tax must be remitted on the monthly dealer or user return.

c. Any contract carrier who has paid the tax is entitled to a refund.

(1) A refund requested by contract carriers will be reduced by the applicable sales tax, unless otherwise exempt.

(2) All contract carriers must apply to the department for a refund registration even if they currently hold a motor fuel tax license.

(3) 701—subrule 260.8(4) provides more information about this refund type.

This rule is intended to implement Iowa Code sections 452A.3 and 452A.17.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.12(452A) Refunds.

261.12(1) *Availability.* Refunds of taxes paid on L.P.G., C.N.G., or hydrogen used for other than highway use are available if the tax has been paid.

261.12(2) *Refund process.*

a. To qualify for a refund, all of the following need to be met:

(1) The special fuel was used for a purpose other than to propel motor vehicles,

(2) The person requesting the refund has a refund permit,

(3) The claim is filed within the appropriate time and in the appropriate manner.

b. The income tax credit set forth in rule 701—260.11(452A) applies equally to special fuel.

This rule is intended to implement Iowa Code section 452A.17.

[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.13(452A) Notice of meter seal breakage.

261.13(1) *Notice.* The department must be notified within 24 hours when the seal of any sealed meter is broken. The reason for the breakage does not affect this notification requirement.

261.13(2) *Content of notice.* Notice must contain but is not limited to the following information:

a. The name, address, and license number of the person who controls the meter.
b. The meter number.
c. The type of fuel pumped through the meter.
d. The date of seal breakage.
e. The name and address of the person(s) responsible for the seal breakage, if known.
f. The reason for seal breakage.
g. The meter reading before seal breakage.
h. The meter reading after the meter is resealed.
i. The signature of the person who controls the meter.

261.13(3) *Reports.*

a. For reporting purposes, the meter is be considered two meters, one before the seal breakage and one after. The return must note the seal breakage.

b. Meter readings.

(1) The meter readings of the meter before the seal breakage must be reported by meter number as usual.

(2) The meter readings after the meter was resealed must be reported by using the meter number plus the letter "A."

(3) The two readings must appear on the same return schedule.

This rule is intended to implement Iowa Code sections 452A.3, 452A.8, 452A.59, and 452A.62.
[**ARC 9043C**, IAB 3/19/25, effective 4/23/25]

701—261.14(452A) Location of records—special fuel users and dealers.

261.14(1) *Generally.* The records required to be prepared and kept by special fuel dealers and users under Iowa Code section 452A.10 and 701—subrule 259.3(5) must be maintained at the location that appears on the license unless the licensee keeps the records at a central location as described in 701—subrule 261.16(2).

261.14(2) *Central location.*

a. If the licensee has more than one license, all of the records for each separate license may be kept at a central location so long as the records for each license are kept separated.

b. The central location where the records must be kept is within the state unless:

(1) The licensee brings the records into the state when requested to do so by the department for purposes of audit, or

(2) The licensee agrees to pay the cost (as defined in rule 701—259.3(452A)) of an out-of-state audit.

This rule is intended to implement Iowa Code sections 452A.10 and 452A.74(2).
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