

International Fuel Tax Agreement Compliance Tips

By Sharon R. Paxton

The International Fuel Tax Agreement (IFTA) audit procedures employed by the PA Department of Revenue when a motor carrier lacks proper mileage records or proof of fuel purchases almost guarantee a substantial assessment, even for a carrier with modest operations. While we have resolved many IFTA audit assessments by negotiated settlement after an appeal to the Commonwealth Court, a carrier willing to implement strict procedures can limit its tax exposure in the event of an IFTA audit by following the guidelines discussed below. Under IFTA, all mileage and fuel records must be maintained for a period of four years from the due date of the IFTA return, or the date the IFTA return was filed, whichever is later.

Documentation of Fuel Purchases

A motor carrier must maintain proper receipts for all fuel placed into qualified motor vehicles. If fuel receipts cannot be produced, credit for the tax paid on such fuel purchases will be disallowed at audit. Records should include fuel data on each individual vehicle and be recapitulated in monthly fleet summaries, with separate totals for each fuel type. Fuel receipts should contain the date of purchase, the name and address of the seller, the number of gallons (or liters converted to gallons) purchased, the type of fuel purchased, the price per gallon (or liter), the unit number of the vehicle into which the fuel was placed, and the purchaser's name. The Department will accept an invoice, a credit card receipt or verifiable microfilm/microfiche.

In the case of bulk fuel facilities maintained by a carrier, detailed disbursement records should be maintained for each withdrawal, identifying the date, the number of gallons (or liters) withdrawn, the fuel type and the unit number of the vehicle into which the fuel was dispensed. Purchase records must also be maintained to verify that tax was paid on the fuel placed into the bulk fuel tank.

Leasing Arrangements

Carriers entering into lease agreements should carefully review the Department's rules regarding reporting requirements for leased vehicles. All lease agreements should be in writing and should designate which party is responsible for reporting and paying the tax. It should be noted, however, that the obligation to report and pay fuel taxes pursuant to short-term leases of 29 days or less can be imposed on the lessee only in limited circumstances.

Mileage Records

Mileage records should include distance data on each vehicle for each trip and be recapitulated in monthly fleet summaries. Acceptable source documents would include the date(s) of each trip, the origin and destination, the routes of travel, beginning and ending odometer readings, total trip miles, distance by jurisdiction, and the vehicle unit number.

"Extra" IFTA Decals

Motor Fuel Tax Bulletin 2008-01 issued by the Department provides that "[d]ecals that are purchased but unused during the registration year should be kept in the licensee's files for four years for auditing purposes." In the event of an IFTA audit, a company that disposes of unused IFTA decals will likely be assessed tax for each decal that is unaccounted for, with the tax computed by application of a 4.0 m.p.g. factor to the average miles traveled by the carrier's fleet during the relevant periods.

Disposition of Decaled Vehicles

Carriers should also be sure to notify the Department's Bureau of Motor Fuel Taxes when a vehicle to which IFTA decals have been affixed is sold, traded or otherwise disposed of, or passes from the carrier's control through lease or otherwise. Motor Fuel Tax Bulletin 2008-01 provides that tax liability will remain with the licensee until the Bureau receives proper notification of disposition or loss of control of the licensed vehicle.