

State of Rhode Island and Providence Plantations

Department of Revenue



Division of Taxation

IFTA

International Fuel Tax Agreement

Information and Compliance Manual



Introduction

The purpose of this manual is to outline the steps involved in licensing and reporting under the International Fuel Tax Agreement (IFTA). The International Fuel Tax Agreement is an agreement among states and Canadian provinces to simplify the reporting of fuel taxes by interjurisdictional and interstate motor carriers. Fundamental to the agreement is the concept of a *base jurisdiction*. Upon application, the carrier's base jurisdiction will issue credentials (license and decals) which will allow the IFTA licensee to travel in all IFTA member jurisdictions.

Rhode Island may be your base jurisdiction for IFTA licensing and reporting if:

- 1. You maintain the operational control and operational records for qualified motor vehicles in Rhode Island, or can make those records available in Rhode Island;*
- 2. You have qualified motor vehicles which actually travel on Rhode Island highways; and*
- 3. You operate in at least one other IFTA member jurisdiction.*

The IFTA license offers several benefits to the interstate motor carrier. These benefits include the following: one application, one set of credentials, one quarterly tax return which reflects the net tax or refund due, and, in most circumstances, one audit conducted by your base jurisdiction. These advantages all lead to cost and time savings for the interstate carrier.

License applications, technical assistance, and information pertaining to the International Fuel Tax Agreement can be obtained by contacting the Excise Tax Section at the following address:

**Rhode Island Division of Taxation
Excise Tax Section
One Capitol Hill
Providence, RI 02908-5800**

or by calling:

(401) 574-8955



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I. Key Terms

"Base Jurisdiction" and "Qualified Motor Vehicle"

Two basic terms shape the workings of IFTA. The first term, "base jurisdiction", establishes the jurisdiction to which a carrier will make fuel tax payments. Your base jurisdiction will then distribute the appropriate amounts of tax owed to each IFTA member jurisdiction for you. Rhode Island may be your base jurisdiction if:

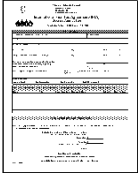
- *your vehicle(s) is (are) registered in Rhode Island;*
- *your vehicle(s) travel on Rhode Island highways and on the highways of at least one other IFTA jurisdiction;*
- *you maintain operational control and records for qualified motor vehicles in Rhode Island or can make those records available in Rhode Island.*

The second term defines the kind of vehicle that qualifies for an IFTA license. A "qualified motor vehicle" is defined as a motor vehicle used, designed, or maintained for transportation of persons or property and:

- *having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds, or 11,797 kilograms; or*
- *having three or more axles regardless of weight; or*
- *is used in combination, when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle or registered gross vehicle weight. Qualified Motor Vehicle does not include recreational vehicles.¹*

¹ *Recreational Vehicle* means vehicles such as motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure by an individual. In order to qualify as a recreational vehicle, the vehicle shall not be used in connection with any business endeavor.

If you have more than one fleet operating out of more than one jurisdiction, more than one jurisdiction could qualify as your base jurisdiction. In this instance, the jurisdictions involved may agree to designate one jurisdiction as your base jurisdiction. This designation must be approved in writing by each affected jurisdiction.



II. Registration

A. Application Requirements

Any motor carrier based in Rhode Island and operating one (1) or more qualified motor vehicles in at least one (1) other IFTA member jurisdiction must file an IFTA License Application in Rhode Island. If a carrier qualifies as an IFTA licensee but does not wish to participate in the IFTA program, trip permits must be obtained to travel through member jurisdictions in accordance with the regulations of each member jurisdiction. Applications must be filled out completely and typed or printed in ink. Submit the completed application, along with the applicable fees, to

**Rhode Island Division of Taxation
Excise Tax Section
One Capitol Hill
Providence, RI 02908-5800**

A carrier will not be issued IFTA credentials if its IFTA account is delinquent, or if the carrier was previously licensed in another IFTA member jurisdiction and the carrier's license has been suspended or revoked and is still in that status in that member jurisdiction. The Division of Taxation will not issue a license if the license application submitted contains misrepresentations, misstatements or omissions of required information.

Each applicant will be issued a thirteen character account number. The first two characters will be "RI", followed in most instances by the company's Federal Identification Number, followed by a two character suffix, usually "00". The Social Security number of the owner or an officer of a company may be used if the company does not have a Federal Identification Number. The complete thirteen character number must be provided whenever you are inquiring about your account.

B. IFTA Fees

The fee for an initial license application, or for reinstatement of a revoked license, is ten dollars (\$10.00). There is no charge for license renewals. The fee for decals is ten dollars (\$10.00) per qualified motor vehicle, per year. Both license and decals are renewable annually, on a calendar year basis – January 1 through December 31. A renewal form will be sent to all accounts in good standing.

C. IFTA Credentials

1. License

An IFTA license will be issued for each qualified motor vehicle operating in member jurisdictions. The license is valid for the calendar year January 1 through December 31. The license, or a photocopy of the license, must be maintained in the cab of each qualified motor vehicle. If a carrier is found operating a qualified motor vehicle without an IFTA license, the vehicle operator may be subject to the purchase of a trip permit, a citation, or both.

One additional license will be issued to each licensee, to be maintained with the office records.

2. Decals

Two decals will be issued for each qualified motor vehicle operated by the IFTA licensee. The decals must be placed on the exterior portion of both sides of the cab. In the case of transporters, manufacturers, dealers, or driveaway operations, the decals need not be permanently affixed, but may be temporarily displayed in a visible manner on both sides of the cab. A licensee may request extra decals for fleet additions. Decals that are assigned to new owner-operators whose qualified vehicles are under a long-term lease must be recalled once the lease is terminated. Failure to display the IFTA decals properly may subject the vehicle operator to the purchase of a trip permit, a citation, or both.

Licensees may purchase additional decals throughout the year by contacting the Excise Tax Section to obtain an *Additional Decal Requisition* form.

3. Single Trip Permits

In lieu of motor fuel tax licensing under the International Fuel Tax Agreement (IFTA), persons may elect to satisfy motor fuels use tax obligations on a trip-by-trip basis. In order to do so, the jurisdictions in which one wishes to travel must be contacted.



III. Reporting Requirements

All licensees must file an IFTA Quarterly Fuel Use Tax Return. The tax due or credit amount is calculated for each member jurisdiction on this report. If there is a net tax due, the licensee will submit a check payable to the Rhode Island Division of Taxation; if there is a refund due, the licensee will receive a refund check from the Rhode Island Division of Taxation. Tax rate information will be provided with the IFTA quarterly tax returns, reflecting the current tax rate for the reporting period for each member jurisdiction.

To process IFTA quarterly tax returns, Rhode Island, as well as sixteen (16) other states and Canadian provinces, participates in a *Regional Processing Center (RPC)*, located in Albany, New York, at the New York Department of Taxation and Finance. The concept of a *Regional Processing Center* is to handle the mailing and processing of quarterly returns for participating jurisdictions, thus, eliminating the need for each jurisdiction to build its own processing software system. This procedure allows for substantial savings to each of the individual member jurisdictions.

Functions of the RPC include the following:

- Printing and mailing of returns and delinquency notices
- Lockbox services for both tax returns and fee transmittals
- Data capture
- Return computation and liability determination
- Preparation of reports and statements on behalf of member jurisdictions
- Funds transfer services

The IFTA Quarterly Fuel Use Tax Return will be sent to all licensees at least thirty (30) days prior to the due date. The completed return, along with payment, if applicable, is to be mailed in the provided window envelope to the Rhode Island Division of Taxation's post office box in Albany, New York, at the RPC. Failure to receive the quarterly tax return does not release the licensee from reporting obligations.

A Quarterly Fuel Use Tax Return must be filed even if the licensee does not operate or purchase fuel in any IFTA jurisdiction in a particular quarter.

The following information is required on the IFTA Quarterly Fuel Use Tax Return:

- Total miles, taxable and nontaxable, traveled by the licensee's qualified motor vehicles in all jurisdictions, including trip permit miles;
- Total gallons of fuel consumed, taxable and nontaxable, by licensee's qualified motor vehicles in all jurisdictions;
- Total miles and taxable miles traveled in each member jurisdiction;
- Taxable gallons consumed in each member jurisdiction;
- Tax-paid gallons purchased in each member jurisdiction; and
- Current tax rates for each member jurisdiction.

The due date for the quarterly tax return is the last day of the month immediately following the close of the quarter for which the return is being filed.

These dates are as follows:

<i>Reporting Quarter</i>	<i>Due Date</i>
<i>January - March</i>	<i>April 30</i>
<i>April - June</i>	<i>July 31</i>
<i>July - September</i>	<i>October 31</i>
<i>October - December</i>	<i>January 31</i>

The quarterly tax return must be postmarked by the due date. If the due date is a Saturday, Sunday or legal holiday, the next business day is considered the due date. The licensee will be subject to the IFTA penalty and interest provisions if the return is not filed in a timely manner.

A. Penalty and Interest

If a licensee fails to file a return, files a late tax return, or fails to remit any tax due, the licensee is subject to penalty and interest. The penalty for failure to file a tax report when due is the greater of fifty dollars (\$50.00) or ten percent (10%) of the net tax due to all member jurisdictions. Interest is computed on all delinquent taxes due each jurisdiction. Interest shall be set at an annual rate of two (2) percentage points above the underpayment rate established under Section 6621(a)(2) of the Internal Revenue Code, adjusted on an annual basis on January 1 of each year. Interest shall accrue monthly at 1/12 this annual rate from the date the tax was due, until paid. The current interest rate can be found at www.iftach.org under Interest Rates.

B. Bonding / Certified Check

A bond may be required for just cause (e.g., when a licensee fails to file timely reports, when tax has not been remitted, or when an audit indicates problems that warrant bonding). A licensee required to post a bond must provide a surety bond, cash bond, or any other obligation that the Division of Taxation deems appropriate. Payment by certified check is required from any licensee required to post a bond.

C. Tax Due / Refunds / Credits

When completing your tax return, apply any overpayment in one jurisdiction to the tax owed in another jurisdiction. If taxes owed are more than any overpayments, send one check for the net tax owed. If overpayments are greater than taxes owed, send no money. Your account will be credited for the amount of the overpayment.

You may request a refund of your credit balance, or you may carry this balance over to the next period. To request a refund, enter the amount you wish to have refunded on *Line 11* of the *IFTA-100, Quarterly Fuel Use Tax Return*. A refund will be issued after the Division of Taxation has determined that all tax liabilities, including any outstanding audit assessments, have been satisfied. A refund may be denied if the licensee is delinquent in filing any quarterly tax report(s).

If a refund is not requested, the credit will be carried forward to the next period. ***Earned credits will expire if not used after eight (8) quarters.***

D. Tax-Exempt Miles

IFTA recognizes that some jurisdictions have unique economic and geographic characteristics which have given rise to various definitions of tax-exempt miles. If questions arise, contact the individual member jurisdictions. All jurisdictions require documentation to support a claim of tax-exempt miles.

These miles must be included in total miles for miles per gallon (MPG) calculation, and also in jurisdictional total miles, *Column H* of the *IFTA-101, Quarterly Fuel Use Tax Schedule*. They should not be included in *Column I* of the *IFTA-101*.

E. Exempt Fuel Use

IFTA jurisdictions may define specific tax-exempt fuel use in their own jurisdiction. This exemption is not calculated on the IFTA tax report. An exemption must be obtained from the jurisdiction in which the tax was paid. The licensee must maintain adequate records to support the exemption claimed and submit a separate refund claim for tax paid on tax-exempt fuel directly to the appropriate taxing jurisdiction.



IV. Lease Agreements

The carrier operating a vehicle is always responsible for the payment of fuel tax, unless a lease agreement specifically states otherwise. For example, if a carrier leasing a vehicle is stopped by a law enforcement officer and the lease agreement does not show that the lessor is responsible for the payment of fuel tax, the carrier will be held responsible. Similarly, a carrier who is audited by the Division of Taxation must have documentation proving that the payment of fuel tax is the responsibility of another party or the carrier must pay the tax.

The following excerpts, taken directly from the IFTA *Articles of Agreement*, address the tax responsibility of lessors, lessees, household goods carriers, and independent contractors:

Rental / Leasing

Short-Term Leases. In the case of a short-term motor vehicle rental, by a lessor regularly engaged in the business of leasing, or renting motor vehicles without drivers, for compensation to licensees or other lessees of 29 days or less, the lessor will report and pay the fuel use tax unless the following two conditions are met:

The lessor has a written rental contract which designates the lessee as the party responsible for reporting and paying the fuel use tax; and

The lessor has a copy of the lessee's IFTA fuel tax license which is valid for the term of the rental.

Long-Term Leases. A lessor regularly engaged in the business of leasing or renting motor vehicles without drivers for compensation to licensees or other lessees may be deemed to be the licensee, and such lessor may be issued a license if an application has been properly filed and approved by the base jurisdiction.

Household Goods Carriers

In the case of a household goods carrier using independent contractors, agents, or service representatives, under intermittent leases, the party liable for motor fuel use tax shall be:

The lessee (carrier) when the qualified motor vehicle is being operated under the lessee's jurisdictional operating authority. The base jurisdiction for purposes of this Agreement shall be the base jurisdiction of the lessee (carrier), regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes by the lessor or lessee.

Household Goods Carriers – cont.

The lessor (independent contractor, agent, or service representative) when the qualified motor vehicle is being operated under the lessor's jurisdictional operating authority. The base jurisdiction for purposes of this Agreement shall be the base jurisdiction of the lessor, regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes.

Independent Contractors

Short-Term Leases. In the case of a carrier using independent contractors under short-term / trip leases of 29 days or less, the trip lessor will report and pay all fuel taxes.

Long-Term Leases. In the case of a carrier using independent contractors under long-term leases (30 days or more), the lessor and lessee will be given the option of designating which party will report and pay fuel use tax. In the absence of a written agreement or contract, or if the document is silent regarding responsibility for reporting and paying fuel use tax, the lessee will be responsible for reporting and paying fuel use tax. If the lessee (carrier) through a written agreement or contract assumes responsibility for reporting and paying fuel use taxes, the base jurisdiction for purposes of this Agreement shall be the base jurisdiction of the lessee, regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes by the lessor.

Filing of Leases

No member jurisdiction shall require the filing of such leases but such leases shall be made available upon request of any member.



V. License Cancellation, Suspension, Revocation and Reinstatement

A. License Cancellation

An IFTA license may be canceled at the request of any licensee provided all reporting requirements and tax liabilities to all member jurisdictions have been satisfied. The cancellation box on the final IFTA quarterly tax return may be checked to indicate the end of operations under IFTA. The license may also be canceled by submitting a written request for cancellation. Upon cancellation, the licensee must return the original IFTA license and all unused IFTA decals to the Division of Taxation, Excise Tax Section. A final audit may be conducted by any member jurisdiction upon cancellation of an IFTA license. The record retention period of four (4) years from the due date of the final quarterly tax return applies.

B. License Suspension and Revocation

An IFTA license may be suspended and/or revoked for any failure to comply with the provisions of the *IFTA Agreement*, such as:

- *Failure to file an IFTA quarterly tax return;*
- *Failure to remit all taxes due all member jurisdictions;*
- *Failure to pay and/or protest an audit assessment within the established time period;*
or
- *Failure to maintain adequate records or make records available when requested.*

The Division of Taxation will notify all member jurisdictions when a suspension or revocation has occurred or has been released.

C. License Reinstatement

The Division of Taxation may reinstate an IFTA license once the licensee files all required returns and satisfies all outstanding liabilities due all member jurisdictions.



VI. Record Keeping Requirements

A. Mileage Records

It is the licensee's responsibility to maintain records of all interstate operations of qualified motor vehicles. The licensee's records must support the information reported on the quarterly tax return. The Individual Vehicle Mileage Record (IVMR), as required for the International Registration Plan, is an acceptable source document for recording vehicle mileage information. Another acceptable source document is a trip report, which must include:

- Date of trip (starting and ending);
- Trip origin and destination (including city and state);
- Routes of travel;
- Beginning and ending odometer readings;
- Total trip miles;
- Mileage by jurisdiction;
- Vehicle unit number; and
- Licensee's name.

B. Fuel Receipts

The licensee must maintain complete records of all fuel purchases. Separate totals must be compiled for each fuel type. The fuel records must contain:

- Date of purchase;
- Name and address of seller;
- Number of gallons purchased;
- Type of fuel purchased;

Fuel Receipts – cont.

- Price per gallon;
- Unit number or license plate number of the vehicle into which the fuel was placed; and
- Purchaser's signature.

Acceptable fuel receipts include an invoice or a credit card receipt. Receipts, which contain alterations or erasures, will not be accepted.

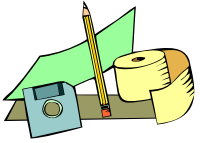
C. Bulk Fuel Storage

A licensee who maintains a bulk storage facility may obtain credit for tax paid on fuel withdrawn from that storage facility if the following records are maintained:

- Date of withdrawal;
- Number of gallons withdrawn;
- Fuel type;
- Unit number or license plate number of the vehicle into which the fuel was placed; and
- Purchase and inventory records to substantiate that tax was paid on all bulk fuel purchases.

D. Record Retention Period

Every licensee shall maintain records to substantiate information reported on the quarterly tax return. These records must be maintained for a period of four (4) years from the due date of the return or the date that the return was filed, whichever is later. Records must be made available upon request by any member jurisdiction.



VII. Audit

The base jurisdiction shall audit its licensees on behalf of all member jurisdictions. This shall not preclude another jurisdiction from also auditing a licensee. In that event, that jurisdiction shall pay all its audit expenses.

In the event that the licensee's records are not located in the base jurisdiction and the base jurisdiction must send auditors to the place records are kept, the base jurisdiction may require the licensee to reimburse the base jurisdiction for reasonable per diem and travel expenses of its auditors as authorized by law.

If any licensee fails to make records available upon proper request, or if any licensee fails to maintain records from which the licensee's true liability may be determined, a base jurisdiction may, thirty (30) days after requesting in writing that the records be made available or receiving notification of insufficient records, determine a tax finding for each jurisdiction based upon the commissioner's determination of the tax liability of such licensee. The commissioner may make a determination from information previously furnished by the licensee, if available, and any other pertinent information that may be available to the commissioner.

A. Notification of Audit Date

Prior to conducting an IFTA audit, an auditor will contact the licensee by telephone to arrange an acceptable date to begin the audit. At that time, the auditor will outline the time period to be audited and the records to be reviewed. To confirm the audit date, the auditor will send a follow-up letter thirty (30) days prior to the initial visit detailing the audit date, audit period, and records required. To assist the auditor in planning the audit, a *Pre-Audit Questionnaire* will also be sent to the licensee. The questionnaire should be completed by the licensee and returned to the auditor prior to the audit start date.

B. Audit Conferences

At the beginning of the audit, the auditor will confer with the licensee to determine background information, reporting methods, and records to be reviewed. As the audit progresses, the auditor and the licensee will discuss the sample periods, sampling techniques, and any problem areas. A closing conference will be held with the licensee to explain the audit findings and to discuss any recommendations.

C. Audit Results

Upon completion of the audit, copies of workpapers will be provided to the licensee. Shortly thereafter, a *Letter of Audit Findings* and a *Report of Field Audit* will be mailed to the licensee.



VIII. Appeals

A licensee or applicant may appeal an action or audit finding issued by the commissioner of any member base jurisdiction by making a written request for a hearing within thirty (30) days after the service of notice of the original action or finding. If the hearing is not requested in writing within thirty (30) days, the original finding or action is final.

The appellant may appear in person and/or be represented by counsel at the hearing and is entitled to produce witnesses, documents, or other pertinent material to substantiate the appeal.

In the event that the licensee appeals an assessment for one or more jurisdictions, it will be the responsibility of the base jurisdiction to participate in the appeal process on behalf of the other jurisdictions. The appeal process will be conducted in accordance with the procedures established by the base jurisdiction.

IX. Power of Attorney

If a licensee uses a reporting service, or other practitioner, for motor fuel use tax reporting, a Power of Attorney must be placed on file with the Division of Taxation. Filing a Power of Attorney does not relieve the licensee of its legal obligations associated with the license. The licensee is still responsible for the payment of taxes as well as all acts and omissions of the reporting service or practitioner.



X. Definitions

Audit

A physical examination of the records and source documents supporting the licensee's quarterly tax reports.

Base Jurisdiction

The member jurisdiction where qualified motor vehicles are based for vehicle registration purposes and:

- 1) where the operational control and operational records of the licensee's qualified motor vehicles are maintained or can be made available; and
- 2) where some travel is accrued by qualified motor vehicles within the fleet.

The Commissioners of two (2) or more affected jurisdictions may allow the consolidation of several fleets which would otherwise be based in two (2) or more jurisdictions.

Cancellation

The annulment of a license and its provisions by either the licensing jurisdiction or the licensee.

Carrier

A person who operates, or causes to be operated, a qualified motor vehicle on any highway in Rhode Island.

Commissioner

The official designated by the jurisdiction to be responsible for the administration of IFTA.

Department

The Department of Revenue.

Division

The Division of Taxation.

Fleet

One or more vehicles.

Gross Vehicle Weight

The unladen (empty) weight of a vehicle (tractor and trailer) *plus* the weight of any load thereon.

In-Jurisdiction Miles

The total number of miles or kilometers operated by a registrant's/licensee's qualified motor vehicles within a jurisdiction. In-jurisdiction miles or kilometers do not include those operated on a fuel tax trip permit or those exempted from fuel taxation by a jurisdiction.

Jurisdiction

A State of the United States, the District of Columbia or a Province or Territory of Canada.

Lessee

The party acquiring the use of equipment, with or without a driver, from another.

Lessor

The party granting the use of equipment, with or without a driver, to another.

Licensee

A person who holds an uncanceled agreement license issued by the base jurisdiction.

Motor Fuels

All fuels used for the generation of power for propulsion of qualified motor vehicles.

Person

An individual, corporation, partnership, association, trust or other entity.

Qualified Motor Vehicle

A motor vehicle used, designed or maintained for transportation of persons or property and:

- 1) having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
- 2) having three (3) or more axles regardless of weight; or
- 3) used in combination when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle weight.

“Qualified Motor Vehicle” does not include recreational vehicles.

Recreational Vehicle

Vehicles such as motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure by an individual. In order to qualify as a recreational vehicle, the vehicle shall not be used in connection with any business endeavor.

Registered Gross Vehicle Weight

The weight at which a qualified motor vehicle is registered (plated) with the Rhode Island Division of Motor Vehicles or a state other than Rhode Island.

Reporting Period

A period of time consistent with the calendar quarterly periods of January 1 through March 31; April 1 through June 30; July 1 through September 30; and October 1 through December 31.

Revocation

The withdrawal of license and privileges granted to the licensee by the licensing jurisdiction.

Single-Trip Permit

The election to satisfy motor fuel use tax obligations on a trip-by-trip basis in lieu of licensing under the International Fuel Tax Agreement (IFTA).

Suspension

The temporary removal of privileges granted to the licensee by the licensing jurisdiction.

Total Distance

All miles or kilometers traveled during the reporting period by every qualified motor vehicle in the licensee's fleet, regardless of whether the miles or kilometers are considered taxable or nontaxable by a jurisdiction.

Weight

The maximum weight of the loaded vehicle or combination of vehicles during the registration period.