

DID NOT RECEIVE SUFFICIENT NUMBER OF VOTES AT THE  
2011 ANNUAL BUSINESS MEETING TO CONTINUE



IFTA SHORT TRACK PRELIMINARY BALLOT PROPOSAL  
#04-2011

**Sponsor**

IFTA, Inc. Board of Trustees

**Date Submitted**

May 13, 2011

**Proposed Effective Date**

July 1, 2013

**Manual Sections to be Amended**

(January 1996 Version, Effective July 1, 1998, as revised)

IFTA Articles of Agreement

R1200 ASSESSMENT AND COLLECTION  
\*R1230.100 U.S. Jurisdiction Interest Rate

**Subject**

An amendment to revise language effective July 1, 2013, resulting from the passage of Full Track Final Ballot Proposal #2-2010, sponsored by Indiana.

**History/Digest**

As a result of the passage of Full Track Final Ballot Proposal (FTPBP) 2-2010, the following language will be in effect on July 1, 2013 in R1230:

For a fleet based in a U.S. 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. **The Repository shall notify Jurisdictions of the new rate by December 1.** (Emphasis added.)

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**Intent**

The implication of the language of FTFBP #2-2010 is that it is IFTA, Inc.'s responsibility to calculate the rate of interest charged on delinquent taxes by its member jurisdictions. The IFTA, Inc. Articles of Incorporation state:

The purposes for which this Corporation is organized are the administration and management of the International Fuel Tax Agreement and all other lawful business for which nonprofit Corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.

The initial business of the corporation was defined, in part, in the Articles of Incorporation as: "communication with members and organizational meetings, as necessary:"

The IFTA, Inc. Board of Trustees is of the opinion that the calculation of an interest rate that a jurisdiction is required to charge each year is beyond the scope for which IFTA, Inc. was incorporated. In addition, the 1Q11 interest rate for underpayments was not issued by the IRS until December 7, 2010. The language found in FTFBP #2-2010, effective July 1, 2013, requires that IFTA, Inc. issue a rate by December 1. In that case, IFTA, Inc. would not have been able to comply with the language and what would the consequences of that be? Would IFTA, Inc. have the responsibility to decide which IRS rate to apply from a previous quarter? The Board does not believe that was the intention of the language in FTFBP #2-2010. The Board believes that just as all jurisdictions establish fuel tax rates and the Canadian member jurisdictions currently establish an interest rate each quarter, that each US member jurisdiction should calculate the annual interest rate.

The IRS issues its interest rate for underpayments as a whole number and the information is readily available through IRS.gov. The Board would ensure that IFTA, Inc. provides a link on its website to the interest information at IRS.gov.

The intent of this ballot, therefore, is to amend the language prior to going into effect to ensure that member jurisdictions have the responsibility to calculate the actual interest rate that will be applied pursuant to R1230. This amendment results in language similar to that currently in effect for interest rates calculated by our Canadian members.

The language from FTFBP #2-2010 is not effective until July 2013. The revisions shown in this ballot are to that language. The only change to the language of FTFBP #2-2010 is to remove the following sentence: The Repository shall notify Jurisdictions of the new rate by December 1. All other changes made by FTFBP #2-2010 would remain in effect.

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**Interlining Indicates Deletion; Underlining Indicates Addition**

1 **ARTICLES OF AGREEMENT**

2  
3 **R1200 ASSESSMENT AND COLLECTION**

4  
5 ***[SECTIONS R1210 AND R1220 REMAIN UNCHANGED]***

6  
7 **R1230 INTEREST**

8 **[Language effective July 1, 2013 as a result of Full Track Final Ballot Proposal #2-2010]**

9  
10 ***[SECTIONS R1230 REMAINS UNCHANGED]***

11 **.100 U.S. Jurisdiction Interest Rate**

12  
13  
14 For a fleet based in a U.S. jurisdiction, interest shall be set at an annual rate of two (2)  
15 percentage points above the underpayment rate established under Section 6621(a)(2) of  
16 the Internal Revenue Code, adjusted on an annual basis on January 1 of each year.  
17 Interest shall accrue monthly at 1/12 this annual rate. ~~The Repository shall notify~~  
18 ~~Jurisdictions of the new rate by December 1.~~

19  
20  
21 ***[SECTIONS R1230.200 THROUGH R1230.400 REMAINS UNCHANGED]***