Issues Encountered –

1) Scenario

1. Carrier opened an IFTA account in October of 2013 and secured 1 set of decals. A single set is issued in 2014 and 2 sets are issued in 2015 and 2016.
2. The carrier does not have an associated IRP account.
3. The carrier is listed in the SAFER system as hauling sand and construction materials. The MCS-150 Mileage for 2014 was 150,000 for 3 power units.
4. The carrier filed zero reports for the first 7 quarters of operation.
5. The 3Q2015 IFTA return was initially filed with 2 jurisdictions. The base jurisdiction had taxable distance and the non-base jurisdiction had non-taxable distance. The carrier was contacted to demonstrate a reason as to why the non-base jurisdiction distance was non-taxable. The carrier stated the company purchased trip permits so non-base jurisdiction distance would not be taxable under IFTA. The carrier was invited to provide proof of the permits. The report was later amended to show base jurisdiction distance only.
6. SAFER inspection reports show inspections in the base jurisdiction during a time when IFTA reports were filed as zero. SAFER inspection reports also show a vehicle registered to the carrier was stopped in a non-base jurisdiction during 12/2015 when the carrier reported base distance only.

Questions:

1. Can a carrier purchase fuel and trip permits for travel in a jurisdiction while displaying a valid IFTA decal and report that distance as non-taxable?
2. How would you handle this audit?
3. Are there reasons why IRP would not be required?
4. If so, would permits also be required for the registration element?

2) Scenario

A company transports coal in 4 jurisdictions with a fleet of 5 IRP / IFTA vehicles registered at 80K pounds. During the audit periods (27 months), it was noted 3 vehicles did not travel outside the base jurisdiction. The company explained these 3 were apportioned / licensed as spares should interjurisdictional travel ever arise for them.

Question:

How would you handle these 3 vehicles in an IFTA / IRP audit?

3) Scenario

Adjustment (Error) factor application; 3-year audit period: July 2014 – June 2017. Facts:

1) You have a jurisdiction with fuel errors in 3 sample quarters – 1 quarter per year audited;
2) Fuel is only purchased in 2 jurisdictions, and all are covered in the samples;
3) You have positive errors for each jurisdiction in 2 quarters, though not more than 1 or 2 fuel invoices over the reported amount;
3) The third sample period has a negative error in the jurisdiction where the majority of the fuel was purchased. If accumulated with the other 2 quarters', the error is significant enough the factor would be negative by several percent.
4) Regarding distance, the records are adequate, although variances also warrant adjustment factors – not all jurisdictions traveled were included in any of the sample periods.

Questions:

1. Would you apply adjustment factors?
2. If so, should the 3 quarters be combined or applied independently?
3. If you believe the factors should be combined, would your answer be different if the scenario went the other way - two smaller negative gallon differences and then a larger positive error factor in another quarter that makes the overall factor a positive error?
4. If you would not apply adjustment factors, how would you handle?
5. Would your answer be different if the distance records were inadequate?
6. What about the jurisdictions not traveled in the distance sample periods? Would you adjust them?
7. If so, how and why?

4) Scenario

The carrier is an oilfield service company with 3 vehicles; 1 of which is used to pump water down a well. While the truck is stationary at the well site and pumping, the odometer continues to turn; the pump runs off a power take-off (PTO) and there is no separate fuel tank to draw from for that operation. As a result, that vehicle's MPGs are unusually low (1.58 – 3.02), impacting the fleet's MPG.

Questions:

1. Would you make any adjustment for distance? Why or why not?
2. Would you make any adjustment to the MPGs / KPLs? Why or why not?

5) Scenario

A carrier has a single vehicle fleet. On Sep 30, 2016, the carrier leases a 2nd vehicle from an owner/operator for some seasonal hauling; the lease specifies a time frame of 10/01/16 – 12/31/16, but does not specify which party is responsible for the fuel tax reporting. The owner/operator has their own IRP and IFTA accounts. The carrier does not provide the lessor with a set of IFTA decals, but does provide a copy of their IFTA license. Neither party included the activity in the 4Q16 IFTA return.

Questions:

1. Who should report the IFTA operations for the quarter? Why?
2. Who should include the quarter in their IRP reporting? Why?
3. If you were auditing the party that should not have reported the activity, and they did report it, would you make an adjustment? Why or why not?