Logo, company name

Description automatically generated

International Fuel Tax Association, Inc.

P. O. Box 7147

Mesa, AZ 85216-7147

www.iftach.org

**MEMORANDUM**

6/23/2022

I have received more than a few inquiries from jurisdictions that are having issues complying with some recent “Tax Holidays” because of internal system requirements that may for example, require total gallons/liters to equal tax paid gallons/liters.

The issue of a carrier reporting more total gallons/liters than the tax paid credit they are allowed in a jurisdiction is not new. Before the recent so-called Tax Holidays were implemented by some jurisdictions, carriers may have had untaxed fuel and/or unreceipted fuel. In those situations, the total fuel purchased in a particular jurisdiction may exceed the amount of fuel they report as tax paid.

In August 2020, the issue of some jurisdictions not allowing for a carrier to report a difference between total gallons/liters and tax paid gallons/liters was addressed by the IFTA Board of Trustees in a Consensus Board Interpretation (CBI) which can be found in the Articles of Agreement section R820.

For some jurisdictions, they require within their internal system that the total gallons/liters purchased equal the total of the tax paid gallon/liter column. A jurisdiction must provide a method in which a carrier can report the total fuel placed into a qualified motor vehicle regardless of whether the fuel was tax paid or can be supported by a receipt. Depending on your particular system, some jurisdictions have accomplished this by informing the carrier to report any untaxed or unreceipted fuel in the “other” jurisdiction line of the return which is also used for non-membership operations with a zero-tax rate.

For GA MD, CT and NY which recently implemented a pause in the collection of fuel taxes (Tax Holiday), the total gallons/liters will be different than the tax paid gallons/liters reported by a carrier. If your system requires that the total fuel entered into the calculation of the MPG/KPL equal the tax paid gallons/liter column, then you must advise the carrier to report the untaxed

fuel portion for these jurisdictions in the “other” (non-membership) line where the carrier would enter the untaxed fuel with a zero-tax rate so no credit is being calculated for those gallons/liters.

For example, assume that during the “Tax Holiday” for NY a carrier purchased 800 gallons of fuel in NY. Using the NY percentage table, they would be allowed a tax paid credit of 800 X 59.5% = 476 gallons.

The carrier would include the total 800 gallons in the total gallons field used to calculate the MPG and, in the tax paid gallons field for the NY line, they would report 476 gallons (not 800). In the “other” jurisdiction line item they would report the difference between 800 and 486 gallons = 324 gallons with zero tax rate and no tax paid credit.

For other jurisdictions that do not require, within their system, that the total gallons used for MPG purposes must equal the tax paid gallons, then in this example, the carrier would simply include all gallons purchased from NY in the total gallons for the MPG calculation and in the NY line for tax paid gallons enter the 486 gallons.

This same methodology would apply to other jurisdictions that require a reduction in the tax paid credit (e.g. GA, MD, CT) and also to any unreceipted or untaxed fuel.

If you have any questions, please feel free to reach out to me or the particular jurisdiction that has implemented a Tax Holiday but keep in mind that this issue of total gallons/liters not equaling tax paid gallons/liters will apply anytime a carrier has untaxed or unreceipted fuel.

Sincerely,

Text, letter

Description automatically generated

Carmen, Martorana Jr, CPA, MST

Executive Director, IFTA, Inc.

[cmartorana@iftach.org](mailto:cmartorana@iftach.org)