

Memorandum

Date: June 1, 2017

To: IFTA Inc., Board of Trustees, IFTA Jurisdictions

From: IFTA Dual Fuel Working Group

Subject: Recommended Reporting Process for Dual Fuel Vehicles

This memo is to reconfirm a change in the Dual Fuel Working Group's recommended reporting process for dual fuel vehicles, which was presented at last year's IFTA Annual Business Meeting.

At a high level:

- The original June 2013 recommendation was to separately report the dual fuel vehicles from other IFTA vehicles and to create new fuel types based on combined use (e.g., DL, DNG).
- The Working Group is now recommending that dual fuel purchases and distances travelled after pro-rating be combined with other IFTA fleets (e.g., diesel pro-rated distances are added to the diesel fleet's distances, and the LNG or CNG pro-rated distances are added to the carrier's LNG or CNG fleets).

For your information, this change in the recommended reporting methodology is the result of additional time and analyses and specifically, that:

- There are significantly fewer dual fuel vehicles operating under IFTA than originally anticipated;
- Skewing concerns previously identified are in part related to IFTA rounding rules and can go either way;
- The new method:
 - Requires no tax return or system changes and associated costs for jurisdictions or carriers (i.e., additional fuel types and rows); and
 - Is much less complex and will result in fewer potential errors by tax preparers.

The following attachment details the recommended reporting process. However, please do not hesitate to contact the Working Group if you require any additional information.

I would again like to take this opportunity to thank the members of this Working Group, the IFTA Audit Committee, and Clearinghouse Advisory Committee for their time and efforts for these past years.

Sincerely

Hugh Hughson (BC)
Chair

Recommended Reporting Process for Dual-Fuel Vehicles

Please Note:

- The methodology below is specific to D/LNG but should be followed separately for any other dual fuel fleet (e.g., DC/CNG or D/P).
- LNG, CNG and Propane may be sold using different units of measure (e.g., pounds, kilograms, cubic meters, or energy equivalents) and must be converted before being recorded on the IFTA tax return. Specifically:
 - Liquefied Natural Gas (LNG) must be in diesel energy equivalent measures using the following conversion factors:
 - A diesel gallon equivalent in U.S. jurisdictions weighs 6.06 pounds, and
 - A diesel liter equivalent in Canadian jurisdictions weighs 0.73 kilograms.
 - Compressed Natural Gas (CNG) must be based on 126.67 cubic feet or 1.0 cubic meters using the following
 - A gallon equals 126.67 cubic feet at 60 degrees Fahrenheit and one atmosphere of pressure (weighs 5.66 pounds).
 - A liter equals 1.0 cubic meter at 15 degrees Celsius and one atmosphere of pressure (weighs 0.678 kilograms).

Step 1: Determine the total diesel fuel and total LNG purchased and placed into the tank(s) of each dual-fuel vehicle fleet in each IFTA and non-IFTA jurisdiction. As per the example below, 8,000 liters of LNG and 12,000 liters of Diesel were purchased for the D/LNG fleet.

Jurisdiction	Distance Travelled	Diesel Purchased	LNG Purchased
AB	20,000	10,000	2,000
BC	40,000	2,000	6,000
Totals	60,000	12,000	8,000

Step 2: Divide each fuel type purchased by the total of both fuel types to determine the proportions of the two fuels used by the dual-fuel vehicle fleet during the quarter. As per the example below, Diesel was used for 60% of the distance travelled and LNG for 40% of the distance travelled.

Fuel Types	Fuel Purchased	÷	Total Fuel Purchased	Percentage/Proration
D	12,000	÷	20,000	0.60
LNG	8,000			0.40

Step 3: Multiply the percentage/proration for each fuel type by the total distance travelled by the D/LNG fleet within each jurisdiction to determine the distance travelled by each fuel type. As per the example below, in AB 12,000 [20,000 * 0.60] km were travelled using diesel and 8,000 km [20,000*0.40] using LNG.

Jurisdiction	Distance Travelled	Diesel Percentage	Prorated Diesel Distance	LNG Percentage	Prorated LNG Distance
AB	20,000	0.60	12,000	0.40	8,000
BC	40,000		24,000		16,000
Totals	60,000		36,000		24,000

Step 4: Transfer the dual fuel purchases and pro-rated distances travelled to the tax return. As previously mentioned, if the carrier has one as one fleet type (e.g., a D/LNG fleet plus a pure diesel fleet) the fuel purchases and distances are combined with other fleets for each jurisdiction. As per the example below, in addition to the D/LNG fleet the carrier has a pure diesel fleet which traveled 100,000 km in AB and purchased 50,000 liters in AB and traveled 400,000 km in BC and purchased 200,000 liters in BC.

Column 4 – JURISDICTION	Column 5 – FUEL TYPE	Column 6 – TOTAL KILOMETERS TRAVELLED	Column 7 – TAXABLE KILOMETERS TRAVELLED	Column 9 – TAX PAID LITERS PURCHASED
AB	D	112,000 [100,000+12,000]	If you have exempt distances within any jurisdiction you must also prorate the exempt distances for each fuel type using the same methodology.	60,000 [50,000+10,000]
AB	LNG	8,000		2,000
BC	D	424,000 [400,000+24,000]		202,000 [200,000+2,000]
BC	LNG	16,000		6,000
Totals		Diesel 536,000 LNG 24,000		Diesel 262,000 LNG 8,000

Step 5: Complete the rest of the tax return as usual.