



**IFTA BALLOT PROPOSAL
#04-2025**

Sponsor

Jurisdictions of California, Maryland, Massachusetts, Indiana, Texas, Rhode Island, Kansas, New York, and Connecticut

Date Submitted

May 22, 2025

Proposed Effective Date

January 1, 2026

Manual Sections to be Amended (January 1996 Version, Effective July 1, 1998, as revised)

IFTA Audit Manual	Section A250	NUMBER OF AUDITS
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Subject

Reducing the audit percentage required to be completed by each jurisdiction annually by changing the Audit Manual, Section A250 Number of Audits.

History/Digest

With the increase in new accounts year-over-year, it has become increasingly difficult for jurisdictions to complete the required number of audits to meet the IFTA three percent (3%) requirement. Each year, base jurisdictions are required to audit an average of 3% of IFTA accounts required to be reported by that jurisdiction. The proposed change reduces the audit requirement to one percent (1%) per year. A decrease to a 1% requirement would have IFTA, Inc. in line with the Internal Revenue Service (IRS), which strives for adequate audit coverage and has an audit percentage of less than 1%.

In 2024, there were 24 jurisdictions, or 41% of the IFTA membership, that did not complete an average of the 3 percent audit requirement. Other jurisdictions have met the requirement only by allocating additional audit resources.

Intent

The intent of this ballot proposal is to reduce the audit requirement to one percent (1%) per year. This change will benefit all jurisdictions and help us free up the resources to make our IFTA audit programs more effective. A decrease to the required number of audits to a manageable level for all jurisdictions is necessary.

As a result of this change, jurisdictions may focus on more selective audits to increase compliance and revenue. Additionally, jurisdictions may elect to perform Records Reviews to educate licensees on IFTA requirements, mitigating potential record keeping compliance issues while providing audit credits to the jurisdiction for the effort.

A decreased audit percentage requirement allows jurisdictions to use their audit resources more wisely. Where jurisdictions see fit, they may allocate resources to other tax programs where audit hours yield much higher returns.

Interlining Indicates Deletion; Underlining Indicates Addition

IFTA AUDIT MANUAL

A250 NUMBER OF AUDITS

Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of ~~3~~one (1) percent per year of the number of IFTA accounts required to be reported by that jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding new licensees, for each year of the program compliance review period, other than the jurisdiction's IFTA implementation year. Such audits shall cover all of the returns that were filed or required to be filed during a license year or shall cover at least four (4) consecutive quarters. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits of a single licensee that cover multiple license years, fuel types, or both shall be counted as one audit for program compliance review purposes.

For purposes of this requirement, a Member Jurisdiction may substitute three Records Reviews for one Audit; provided, that no Member Jurisdiction may substitute Records Reviews for more than twenty-five percent of the total of the Audits required under this section. To use Records Reviews as a substitute for Audits, a Member Jurisdiction must adopt formal procedures that comply with the guidelines for Records Reviews set out in the Audit Manual. All accounts may be subject to a Records Review. Records Reviews cannot count toward the high or low distance audit requirement established in Section A260 Selection of Audits of the IFTA audit manual. All Records Reviews will count towards the unspecified distance account audit requirements. Any follow up or secondary Records Review on compliance issues will not count as another Records Review.