

**FOR SECOND COMMENT PERIOD ENDING OCTOBER 27TH**



**IFTA BALLOT PROPOSAL  
#03-2025**

**Sponsor**

IFTA Audit Committee

**Date Submitted**

April 1, 2025

**Proposed Effective Date**

January 1, 2026

**Manual Sections to be Amended**

Audit Manual Sections A350 & A460 (Effective Date: September 2024)  
Procedures Manual P570 (Effective Date: January 2024)  
Including amendments from Ballot 5-2024 (Effective Date: January 2026)

**Subject**

IFTA Audit Manual and IFTA Procedures Manual - Alternative Fuel Audit Impacts

**History/Digest**

In accordance with IFTA Articles of Agreement Article XVIII Sections R1810.100 and R1810.200.020, and as stated in Sections II and III of the Committee Charter, the IFTA Audit Committee is responsible for maintaining the IFTA Audit Manual. This duty includes periodic reviews to determine if any changes or updates are needed and to make such recommendations to the IFTA, Inc. Board of Trustees. The duties of the Audit Committee also include a review of ballot proposals ratified by membership to determine whether any sections of the IFTA Audit Manual are impacted by the ratified language and to recommend changes if applicable. With the passage of IFTA Ballots 8-2022 and 3-2023, IFTA has addressed the future of fuels used to propel qualified motor vehicles and to provide for the alternative method of taxing consumption based on applying a tax to taxable distance.

The Board of Trustees issued a charge on February 12, 2024, as follows:

- 3.1 Develop a sub-committee
- 3.2 Research
- 3.3 Provide results of research and recommendations to the Board including, if applicable, a ballot proposal for recommended changes to the Audit Manual

## **Intent**

This ballot proposes amendments to the IFTA Audit Manual and IFTA Procedures Manual to support the auditing and taxation of all fuel types on behalf of all jurisdictions. This will amend the IFTA Audit Manual to align it with the implementation of Ballot 05-2024 that takes effect on January 1, 2026.

The term “average fuel consumption factor” is used in this ballot to maintain consistency with the terminology already established in Section P720.350 of the IFTA Procedures Manual, where it is listed as required information on the standard tax return. This clarification reinforces the principle that the average fuel consumption factor is an all-encompassing measurement used by jurisdictions to represent fuel consumption, including miles per gallon (MPG), kilometers per liter (KPL), and miles per gallon equivalent (MPGe). Average fuel consumption factor serves as a standardized factor for auditing purposes, regardless of the fuel type used, and supports consistent application across jurisdictions.

Miles per gallon equivalent (MPGe) is recognized as a valid fuel consumption measurement for the electricity fuel type, consistent with its use by the U.S. federal government and recognized in the industry. While Canada does not currently have an adopted or recognized standard average fuel consumption factor for the electricity fuel type, nor currently taxes electricity, this proposal allows inclusion of any future average fuel consumption factor as standards evolve.

Kilowatt-hour (kWh) will not be added to the IFTA Audit Manual and IFTA Procedures Manual because it is a unit of measurement and does not represent an average fuel consumption factor (refer to Ballot 05-2024 which takes effect on January 1, 2026).

Jurisdictions may still apply a 20% reduction to the average fuel consumption factor or reduce the MPG/KPL (average fuel consumption factor) to 4.0 MPG or 1.7 KPL, depending on the audit scenario. The inadequate records assessment added for jurisdictions that impose tax by applying a tax rate to distance is a standalone assessment. It is not a double assessment, as any reduction to the average fuel consumption factor has no bearing on the tax rate applied to distance. These mechanisms operate independently to ensure fairness and consistency.

**Interlining Indicates Deletion; Underlining Indicates Addition**

AUDIT MANUAL

A350 AUDIT ADJUSTMENTS

- .100 When records for the fleet as a whole are adequate for audit, the base jurisdiction shall have the authority to adjust the reported average fuel consumption factor (e.g.: MPG, ~~or~~ KPL, kWh, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed) ~~or any factor used to compute motor fuel consumption.~~
- .300 If the base jurisdiction determines that such factors as those in A350.200 fail to provide a basis to support an audit adjustment, the jurisdiction may, for the specific vehicles at issue, ~~either~~
- .005 reduce the vehicle average fuel consumption factor (e.g.: MPG, ~~or~~ KPL, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed) ~~kWh or any factor used to compute motor fuels consumption~~ by 20% or
- .010 ~~adjust~~ reduce the vehicle MPG to 4.00 or the KPL to 1.7-;
- .015 for jurisdictions that impose tax on the consumption of fuel by applying a tax rate to distance, increase only jurisdictional distance by 20%. The jurisdictional distance increase shall not affect total distance.

A460 AUDIT REPORT

- .500 Distance and Fuel Examination:
- .015 Describe procedures used to verify reported distance, fuel and average fuel consumption factor (e.g.: MPG, KPL, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed);
- .700 Billing Summary: All items listed below, except penalty .045, must be presented in the billing summary by reporting period.
- .020 Average fuel consumption factor (e.g.: MPG, KPL, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed) as reported;
- .025 Average fuel consumption factor (e.g.: MPG, KPL, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed) as a result of audit;

PROCEDURES MANUAL

P570 INADEQUATE RECORDS ASSESSMENT

- .100 If the base jurisdiction determines that the records produced by the licensee for audit do not, for the licensee's fleet as a whole, meet the criterion for the adequacy of records set

out in P530, or after the issuance of a written demand for records by the base jurisdiction, the licensee produces no records, the base jurisdiction shall impose an additional assessment by either:

.005 ~~adjusting~~ reducing the licensee's reported fleet MPG to 4.0 or 1.70 KPL; or

.010 reducing the licensee's reported average fuel consumption factor (e.g.: MPG, KPL, kWh, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed) ~~or any factor used to compute motor fuels consumption by 20% twenty percent;~~

.015 for jurisdictions that impose tax on the consumption of fuel by applying a tax rate to distance, increase only jurisdictional distance by 20%. The jurisdictional distance increase shall not affect total distance.

.200 This section does not affect the ability of a base jurisdiction to disallow tax-paid credit for fuel purchases which are inadequately documented, or, for cause, to conduct a best information available audit which may result in adjustments to either the audited or reported average fuel consumption factor (e.g.: MPG, or KPL, kWh, MPGe, and/or any other measurement of distance traveled per unit of fuel consumed), ~~or any factor used to compute motor fuels consumed,~~ or suspend, revoke, or cancel the license issued to a licensee.

**Comments Following the Comment Period ending June 29, 2025.**