

Notes

Motor Fuel Presentation

Process Flow for Non-Return Related Refunds (Manual)

Difference between Return Based and Manual Refund Request –

- Line Items are captured and stored on return based refunds
- Return based refunds are filed monthly
- Initial refund verification audit based strictly on schedules provided with return

II. Process Flow

- Taxpayer forwards application to a PO Box number
- Data Capture enters social information on Refund Management System (ie name, address, Postmark, Account #)
- Claim assigned a unique number for internal tracking purposes
- Claim assigned to an auditor.

Interest – Taxpayer must be notified within 30 days of the postmark date if additional information is needed to process their claim. If notification is not made, interest will begin to accrue on the 91st day.

- Tax Auditor performs a desk audit of the claim.
- Quality assurance personnel reviews case
- Check or electronic funds transfer processed

DR-309639

Grants a refund on the taxes paid for fuel used off-highway

Refund claims are broken down into four categories

- Tax paid fuel used to turn concrete mixer drums and/or compact solid waste (35% of the fuel)
- Tax paid fuel used to unload bulk cargo (10 gallons per full load pump-off)
- Tax paid fuel used in off-road equipment
- Tax paid fuel used in off-road stationary equipment

Taxpayers do not have to be licensed to qualify for a refund

Taxpayers will receive a refund on the road tax (.270) minus sales and use tax (6% plus discretionary surtax – highest is around 7.5%).

First time filers and randomly selected filers must provide tax paid invoices, equipment specifications, inventory readings, & usage reports). All other claims will be verified based on supporting schedules.

A web based application, similar to the Local Govt and Mass Transit Return, is currently being considered that will allow a taxpayer to file on-line. Application will check for duplicates, out of date purchases, math errors, etc.

DR-309640

This application provides a refund of taxes paid on diesel fuel used by a motor coach for running climate control and electrical systems during idle time.

Each claim will be for a 12 month period and must be filed by April 1st of the following year.

This form is similar to the DR-309639 in that a refund is granted on the road tax minus sales tax due.

Filing requirements:

- All motor coaches must be privately owned.
- Each motor coach must
- Weigh at least 33,000 pounds.
- Carry at least nine passengers.
- Used exclusively for transporting passengers
- Posses an on-board computer that measures idle time.

Computer must have a reset function that will track fuel for a specific period (Jan 1 to December 31). This requirement has limited the number of filers who can take advantage of the refund claim.

Quarterly Refund Applications

These are inherited applications from ages past. Claims have remained in existence to reduce the burden on a select population of taxpayers.

- Claimants who wish to minimize filing requirements (applications submitted four times a year)
- Usually includes taxpayers with small refund requests.
- Easy and straight forward application to complete.

Claims are supported by a schedule of purchases

Types of quarterly refunds

- DR-190 – Non-Public Schools / gas & diesel used on-highway
- DR-189 – Municipalities, Counties, & Schools Districts / Gas & Diesel Used on-highway / Refund must be used for the construction and maintenance of roads within the jurisdiction's area.
- DR-190 – Refund of tax paid on gasoline used for farming or commercial fishing.
- DR-? – Refund of taxes on gas and/or diesel used on-highway . Non-governmental entities must have a written contract to perform mass transit services for the public with fixed routes.

DR-191

This refund is available to air carriers who are in the business of transporting persons or property for compensation.

Application filed four times a year

Application supported by a schedule of purchases

Refund equals the lesser of:

- .6% of the wages paid to Florida employees.
- Tax paid on aviation fuel (tax rate of 6.9%)

DR-26

General refund application that covers all other refund issues.

Most claims requested using a DR-26 require a full desk audit (tax paid invoices, contracts, etc)

Some common issues found on the DR-26 include:

- **Tax paid kerosene used for home heating or cooking**
- **Tax paid diesel used by commercial and non-commercial vessels (most vessels purchase dyed diesel fuel and pay sales tax)**
- **Mixing incidents**
- **Tax paid fuel used by an exempt entity or for an exempt purpose (foreign diplomats, production of electricity, etc)**
- **Pollutants exported, bunkered (used in vessels), or converted into a solvent mixture**

Coastal Protection – 2 cents a barrel

Water Quality – 5 cents per barrel

DR-904

Inland Protection – 80 cents per barrel

Documentation Requirements

Documentation requirements are more stringent with manual refund requests than they are with return based refunds

DR-309639, DR-309640, Quarterly Refund Applications, Aviation, & Pollutant Refund requests are supported by schedules. All other claims, first time filers, and individuals selected for post audit will need to provide actual documentation to support their claim (desk audit).

Desk Audits Usually Consist of reviewing a claim for:

- **The statute of limitations (taxpayer has three years to file a claim from the date taxes were paid)**
- **Proof that taxes were paid (invoices or schedules)**

Scheduled are verified for

- **Duplicates**
- **Out of period sales or receipts**
- **Completed in full**
- **Verify price per gallon for each transaction is within an average \$ range relevant for that period.**

Invoices

- **Dates**
- **Taxes were included in the purchase price (must be separately stated)**
- **Verify buyer and seller**

Taxpayer's are allowed to remit third party fuel management reports (must have same information required on the schedule)

- **Verification of eligible gallons – Detailed reports supporting usage**
- **Equipment Lists – Specifications of equipment that may be in question.**
- **Inventory Readings (looking for physical vs book)**

Best Practices

- **Electronic Data Interchange (EDI) –**

1. **On-line filing applications** are available for Licensed Mass Transit and Local Governments. Internet application allows a taxpayer to file on-line, track inventory, has built in math audit functionality, and imports schedules with differing formats.
2. **Software** - Taxpayer's may use software to file their Wholesaler/Importer Fuel Tax Return. Software allows a taxpayer to submit their return electronically, carries forward previous data, performs math audit functions, and has reporting features.

➤ Integrated Accounting System (SAP) – Beginning February 2005, motor fuel returns will be processed using new software designed by SAP. Some of the advantages of using this new process includes:

1. Returns will be scanned using imaging recognition software. Returns can be accessed at the touch of a button. Auditors will no longer have to work off of a hard copy.
2. Batch processing is no longer required: Returns can now be worked in a real time environment.
3. Simplification of Offsets – One system incorporating all taxes will simplify offsets.
4. Automated Distribution Process

- Post Audit - A cursory review is performed on taxpayer's who have exhibited a good filing history. These taxpayer's are flagged and then placed in pool for potential review at a later date. A sample is randomly pulled from this population once a year.

Minimizes time consuming desk audits to first time filers and randomly selected populations.

Post Audit has reduced the number of days to process a claim by 6 days and reduced interest expense.

- Electronic Funds Transfer – Taxpayers are electronically forwarded an overpayment of tax versus a check. Process allows a taxpayer to receive their refund 4 to 5 days quicker.