

IMPORTANCE OF UNIFORMITY

Gasoline and diesel fuel are the primary sources of power for most forms of transportation in the US and the developed world. Taxes collected on these fuels are a vital part of every State's revenue base, providing funding for transportation systems, public education, and other important programs. Motor fuel taxes make up the financial base for the nation's infrastructure of roads and highways.

EVASION AND LACK OF UNIFORMITY

Although there are many similarities, each State has its own unique set of tax laws and administration and enforcement techniques. These differences create tax administration problems as neighboring States try to regulate and coordinate interstate fuel movement and enforcement efforts, and in exchanging tax information between revenue agencies. In turn, this provides tax cheats with the opportunity and incentive to evade State fuel taxes. While reliable estimates of evasion are not available, even though numerous research projects have tried to determine losses, outside sources have testified before the US Congress that losses of \$1 billion in Federal fuel taxes may occur annually, with similar losses occurring at the State level. States lose in two ways, by not collecting their own tax and by losing out on allotments from the Federal Highway Trust Fund.

Until recently, fuel taxes were considered to be a minor part of the total revenue pie, and it was commonly thought there was no real evasion problem. However, as State legislatures struggle to maintain government services with increasingly tighter budgets, fuel taxes are receiving more attention. Fuel tax

rates have risen steadily over the past 20 years, providing greater incentive for tax cheats to steal vital revenues, and at the same time, increase the burden on legitimate businesses.

BENEFITS OF THE MOTOR FUEL TAX SECTION ACTIVITIES

The Federation of Tax Administrators' Motor Fuel Tax Section (Section), through its staff and the Uniformity Committee, has developed and continues to foster a unique and effective partnership among the States, Industry, and Federal and Foreign Governments regarding motor fuel tax administration. An international network of information sharing has been established that covers most everything related to motor fuel taxes. Motor fuel tax information is available through Tax Exchange, the listserv, Motor Fuel Tax Section meetings, and the Motor Fuel Tax Associate.

States participating in Section projects and utilizing its resources benefit through reduced evasion and administrative costs, improved compliance, and also enjoy access to high quality information. In addition, the Section provides training opportunities in audit and enforcement techniques, and guidance for States on administrative and legislative actions.

The environment of open communication and cooperation among States, Industry, the Federal Government and the Canadian Fuel Tax Project reduces administrative costs for all partners, minimizes burden on Industry, and fosters a combined effort to control evasion and level the playing field in the motor fuel arena.

UNIFORMITY COMMITTEE MISSION STATEMENT

Provide an opportunity for Government and Industry to partner for the efficient and effective reporting and remittance of fuel taxes, to minimize fuel tax evasion, and to act as an information resource to stakeholders.

UNIFORMITY COMMITTEE GOALS

1. Implement all aspects of the 11-Point Plan.
2. Foster communication between and among levels of Government, Industry and related associations and interest group and their representatives.
3. Encourage coordination of efforts among stakeholders in audit and enforcement efforts.
4. Encourage sharing information among enforcement, revenue and transportation agencies in areas related to motor fuels and motor fuel revenue.
5. Educate the motor fuel community in areas of audit and enforcement techniques, reporting requirements, and how to identify actual and potential evasion schemes.
6. Encourage active participation by stakeholders in Uniformity meetings. Inform stakeholders on how the goals of Uniformity are designed to work for all members of the motor fuel community.
7. Encourage uniformity in reporting definitions and forms.
8. Prepare for change by staying informed on emerging topics and trends; by assuring personnel are fully informed to allow for ease of transition; and by being open to new ideas and methods for revenue reporting and remittance.

THE 11- POINT PLAN

The 11-Point Plan was created as an overall strategy for combating fuel tax evasion. The general theme behind the Plan is the total accountability of fuel (tracking ownership of the fuel to the point of collection of the tax), and sharing of information.

Point 1 – State adoption/implementation of the uniform reporting guidelines

Point 2 – State adoption/implementation of the uniform definitions for imports and exports. Require licensing of and reporting by importers and exporters.

Point 3 – Incorporate the Federal Employers Identification Number (FEIN), Social Security Number (SSN), or Canadian Federal Business Number (BN) as a reference for reporting information between jurisdictions.

Point 4 – Require licensing of all resellers or entities that obtain tax-free inventory for ultimate resale.

Point 5 - State adoption/implementation of procedures to achieve total accountability of fuel.

Point 6 – Allow for uniform electronic reporting systems by adopting the FTA Motor Fuel Electronic Commerce Committee standards for all electronic data exchange.

Point 7 – Regional workshops for audit and investigative techniques to identify tax evasion schemes.

Point 8 – Review states' confidentiality laws. Implement steps necessary, at a minimum, for States to provide licensing number information to industry and to provide licensing and tax information to other governmental jurisdictions.

Point 9 – Require third party reporting on the movement of fuel.

Point 10 – Establishment of a fuel tax Advisory Group in each State to be comprised of State and Industry representatives.

Point 11 – Encourage States to establish and adequately maintain a compliance staff dedicated to fuel tax enforcement.

The 11-Point Plan offers the best method for achieving uniformity, reducing inefficiencies in State fuel tax administration, and combating fuel tax evasion.

JOIN A UNIFORMITY SUBCOMMITTEE

COMPLIANCE

COMMUNICATION AND
COORDINATION

ELECTRONIC COMMERCE

FORMS MANAGEMENT

FOR MORE INFORMATION

Cindy Anders-Robb
Motor Fuel Tax Manager
Federation of Tax Administrators
307.632.4144
Cindy.Anders-Robb@taxadmin.org

OR

Visit the FTA website at:
www.taxadmin.org



MOTOR FUEL TAX SECTION UNIFORMITY PROJECT



BENEFITS OF MOTOR FUEL TAX UNIFORMITY