

The Uniformer

**MESSAGE FROM THE
NATIONAL CHAIR
EDIE MARTIN**

Happy New Year! I hope everyone enjoyed the Holidays and spending time with family and friends!

Thank you to the Midwest Region for nominating me to serve as the Section Chair! I am also very proud to be part of the FTA Motor Fuel Uniformity Committee. Together, we have accomplished many goals and I look forward to continuing the cooperative effort to create uniformity and resolve issues for the benefit of all involved.

We face many challenges in the upcoming year. Budget constraints continue to impact participation. Alternative methods to fund highways are being considered. New and renewable fuels are surfacing and natural gas is becoming more popular as a motor vehicle fuel. It looks like we'll have our work cut out for us!

I would like to encourage you to get involved. Everyone's opinion counts. We all bring unique ideas to the table to assist with issue resolution and create a quality end product via teamwork.

Thank you again, for the opportunity to serve as the FTA Motor Fuel Tax Section National Chair! I look forward to working with everyone in 2013! If I can be of assistance, my contact information is as follows:

edie.martin@kdor.ks.us or
(785) 296-5327.

**MESSAGE FROM THE
UNIFORMITY COMMITTEE
STATE CO-CHAIR
JEREMY NEECK**

Happy New Year! It is hard to believe another year has come and gone and it is already 2013. 2012 was a great year for the FTA Motor Fuel Tax Section and for the Uniformity Committee. We were able to bring back both Basic and Advanced Auditor Training that had great attendance for both classes. We had almost 200 people register for the annual meeting in Providence, Rhode Island until that nasty storm Sandy had to mess things up a bit and interrupted travel plans for some getting to Providence. I want to send a special thank you to the people of Rhode Island for their kind hospitality and for providing a great location for our annual meeting. I also want to send a BIG thank you to Dawn Lietz (NV) our National Chair for her hard work and dedication and her ability to adapt with changes running the annual meeting with all that was going on in Rhode Island with the storm and making the annual meeting a great success.

With the New Year also brings in new leadership for FTA Motor Fuel Tax Section. Edie Martin (KS) is our new National Chair and Jim Oliver (KY) is our new Vice Chair. I look forward to working with them in the coming year to continue to promote

Uniformity with all states and industry.

In 2013, I hope we are able to continue to increase attendance at our Uniformity Meetings and continue to work towards our goals and missions set forth in our 11 point plan and mission statement. With the growing increase in use of alternative fuels and electricity as a means for vehicle propulsion we need to stay abreast of these changes and work proactively to ensure proper funding is sustained for our roads and infrastructure.

**MESSAGE FROM THE
UNIFORMITY COMMITTEE
INDUSTRY CO-CHAIR
BOB DONNELLAN**

As we move into 2013 there are a number of issues that are becoming a problem regarding Bills of Lading and how tax at the rack should be applied and or not applied. BOL's for all intense purposes should be used as an information tool and not as a billing document. In speaking with several States on "Flash Transactions", we have Position Holders charging an incorrect destination State tax, as the "Flash Purchaser" is not the exporter. This now raises the issue of Diversions and the need for the exporter to notify the Diversion Registry of the State of Destination. I am confident in the coming year that between the States and the Industry can come to a solution that is amenable to all parties.

**MESSAGE FROM
CANADIAN FUEL TAX
COUNCIL (FTC)
RICK CALLAWAY**

On behalf of the FTC, we hope everyone enjoyed the holiday season and are looking forward to a prosperous and happy new year in 2013.

The FTC is making significant progress on a number of key priorities during the first part of 2013.

A comprehensive study of the current and future impact of consumption of LNG, CNG and LPG for motive use on the efficiency, equity and revenues of fuel tax administration will be presented to our Advisory and Steering Committees in May 2013. Part of that presentation will be to make recommendations to address the risks and opportunities identified. A project team of industry and government members are working together to better understand the current use and market, as well as, to share some of the future directions planned and challenges expected for these products.

We continue to enhance and maintain our Uniform Model for tax administration with the current focus being to evaluate and update the Generic Fuel Tax Return and to implement the Systems Information Binder (SIB). For the return, we are looking at its format and the information reported to ensure the needs of our members are being met. We will also be identifying how consistently the

generic return is being adopted by the jurisdictions. For the implementation of the SIB, we are developing a process for field auditors to introduce the binder as they request and document information as part of the normal audit process. We have also received a request from a committee of auditors from across Canada to consider how the use of the binder can be expanded into other tax programs due to the value and flexibility of its format.

Another priority for the first few months of 2013 is to evaluate and enhance our training programs. Although we continue to receive high student satisfaction ratings for the three courses offered, there are growing challenges and needs for training that our current courses and their method of delivery cannot address. Industry and government students are now requesting different course content, members are experiencing limitations on travel for students and instructors due to budgets and policies, students want access to current materials after the completion of the course and organizations want the training to be more integrated into their own orientation and training programs. Recommendations on changing course content and delivery will be presented in May 2013 with demonstrations of the recommended delivery methods.

We continue to make improvements to how the FTC operates and measures success. We have recently surveyed industry and government members to identify today's priorities and the availability of

resources. The survey feedback will be integrated with our on-going initiatives in a comparative format for our Advisory and Steering Committees to complete the planning process for 2013-14. In addition, the performance of the FTC and of some key responsibilities will be reported in a format approved at our last meetings. The new measures are more focused and objective and have been introduced for the December 31, 2012 reporting period on a trial basis. We have also re-designed our working sub-committee format into a project focused format to better plan and use member resources.

Our current Chair, Brian Warbey from Saskatchewan, will be completing his two year term after the May 2013 meetings. Brian has provided leadership to the FTC during a transitional period and has sponsored many improvements and key initiatives that will ensure FTC's success. Our new chair, Daniel Young from Nunavut, will commence his term at that time. We will be announcing a new Vice Chair to replace Daniel after the May meetings. The FTC has decided to hold an annual meeting in the spring of each year starting in 2013 instead of twice a year meetings. The intent is to use more collaborative technologies to continue to make progress between meetings given the greater focus on project work.

If you have any questions or need more information, please feel free to contact me at:

rick.callaway@fueltaxcouncil.com
or call (403) 471-7022

UNIFORMITY COMMITTEE**Minutes**

The FTA Motor Fuel Tax Section Uniformity Committee met at the Renaissance, Providence, Rhode Island on October 27, 2012. Jeremy Neeck (MN) Uniformity State Chair called the meeting to order. Forty-two (42) were in attendance.

Minutes

The minutes of the June 2012 Uniformity Committee in San Antonio, TX were approved.

Presentations:

Dawn Lietz, State of Nevada presented a document compiled by Bob Pitcher with the American Trucking Association for discussion. The document was the Trucking industries viewpoint on the conversion rates for Liquefied Natural Gas and Compressed Natural Gas since most of the Trucking industry is converting or buying LNG and/or CNG trucks. Because trucks are using LNG and CNG the diesel collections will start to drop. Wal-Mart has purchased over 2,000 LNG Trucks and UPS is or has changed their trucks also. Dawn Lietz, Chuck Ulm and Cindy Anders-Robb are currently representing the FTA on meetings with the IFTA Committee concerning the taxation and conversion rates for CNG and LNG.

SUBCOMMITTEE REPORTS

The **Compliance Subcommittee** Cindy Mongold (KS) reported there were twenty-five (25) in

attendance. The Committee discussed:

Training Schedule for 2012 –

The FTA Motor Fuel Basic Training Course was held in Minneapolis, MN on July 29-August 2, 2012. There were 57 students in attendance, which consisted of 30 from States and 27 from Industry. The group also took a tour of a terminal in addition to the classroom training.

The Advanced Training class will be held November 25-29, 2012 in Savannah, GA at the DeSota Hilton.

The Investigation Training is not scheduled for this year.

The ExSTARS Training is planned to be provided at the Regional Conferences in 2013.

You can also find the training announcement on the FTA website at www.taxadmin.org.

Dyed Diesel Stats – A report was given on the dyed fuel stats since the start of collecting additional information regarding vehicle type and industry, pickup trucks has been the most common vehicle receiving a violation.

There were questions regarding the authority to stop pickups. Stops of pickup trucks can be made when commercial placards are displayed on the vehicle.

Received clarification regarding the IRS 916 form was provided. States are not to hand out form 916 nor reference the 916 as their authority to stop and test for

dyed fuel. The IRS will be redoing the MOU's with the states. States will not be taking samples as IRS authorized agent but will be sharing the sample with the IRS.

IRS Update – IRS reported that mobile machinery is prohibited from using dyed fuel. They are required to use clear fuel but can apply for a refund.

IRS also reported that millions of dollars of alternative fuel tax credits are being applied for.

CNG White Paper – A suggestion was made to review and update the current white paper "Motor Fuel Tax Issues with Natural Gas and Other Alternative Fuels" that was created in 2009. Wilda Ice (WV) has volunteered to review this document.

Barge Statistics – Dean Reinauer provided a high level barge facts and statistics report and will be emailing the report to Cindy Mongold.

Compliance Tools – A white paper document regarding compliance tools was discussed. Wilda Ice (WV), Edie Martin (KS) and Cindy Mongold (KS) volunteered for this project. Some points of discussion for the documents would be: audit, terminal manifest matching, diversion review, import/export information exchange between states, dyed fuel inspections and publicity of prosecuted fuel tax cases. If you have information to contribute please provide it to one of the three people listed above.

New Projects for 2013 – the committee is looking for new projects to work on. If you have any project you would like to see, please contact Cindy Mongold at cindy.mongold@kdor.ks.gov

Open Discussion – discussion regarding separate auxiliary power unit on trucks. This unit is used to run trucks AC/heater and fuel supply warmer. This is a separate motor but pulls from the same fuel supply tank as the trucks engine.

A couple of states reported that a producer license has been applied for or issued for producing alternative fuel from garbage.

The Forms Management Subcommittee

Lee Gonzalez (Florida) reported that this committee met with Electronic Commerce. There were twenty-seven (27) in attendance with one (1) by phone. The subcommittee discussed:

Crosswalk (FTA and STCC Codes) – team currently has product code list from a single railroad company. The team will reach out to other railroad companies to get a comprehensive list of product codes. The list will be matched to the FTA codes to create a true crosswalk between rail and FTA codes.

Uniform Alternative Fuels Tax Report – the alternative fuel tax report team presented a rough draft of a uniform alternative fuel form. The group determined a separate summary schedule was

needed to address exempt sales by product types. Team will add additional summary schedule to the form and present it at the next meeting.

Uniform Alternative Fuel Unit Conversions – a request was received to add uniform product conversion on the proposed alternative fuel tax return. Cindy Mongold made a presentation that outlined that many states use either IRS standards or stand along conversion factors based on state legislation. The committee discussed the following options:

1. Piggy back IRS factors
2. Piggy back IFTA recommendations (note there is currently a team reviewing alternative fuel conversions and rates)
3. Recognize each state is different and legislation dictates conversion factors.

A decision was made to refer alternative fuel conversions to the Communications and Coordination Subcommittee to look at putting something in the Model Legislation concerning conversion factors.

Eliminating Schedule Codes (Uniformity) – The survey sent out by the Forms committee indicated that four (4) codes (1D, 5O, 5U and 13L) are not currently being used. The initial purpose of the survey was to eliminate codes that are not being used from the guide. The committee determined that it would not be cost effective to eliminate only 4 codes. However, notes will be added to the uniformity guide that

will classify the four schedules as inactive.

EIA Code Presentation – during previous uniformity meetings, the Uniformity Committee has considered converting FTA product codes to EIA product codes. Rich Little conducted a conference call with EIA (Mike Conner). The purpose of the call was:

1. Educate the committee on the format of EIA codes for petroleum products.
2. Determine how often the codes are updated.
3. Determine how new product codes are created.
4. Educate the committee on the number of product codes available for use.

The committee determined there are numerous issues that have to be addressed before FTA would consider converting from FTA to EIA codes. Examples of some of the issues are:

1. Multiple EIA product codes lists (duplicate codes).
2. Incomplete EIA code list.
3. No process for FTA to request new codes.
4. Time it takes to get new product codes approved.

The committee agreed to work with EIA to create a list of product codes that potentially could replace FTA codes in the future. Tracy Halubka (MT) and Bill Gray (Sinclair Oil) agreed to represent FTA on this project.

Industry Issues:

1. Industry is having trouble reporting blends

- associated with multiple product codes.
2. State do not have clear definition of renewable fuels.
 3. Industry is having a difficult time tracking the point of destination for products being moved by barge. Issue related to change in ownership.
 4. Some states require a prepayment of estimated fuel tax. Collection of the tax up front from the distributors is becoming problematic.
 5. The purpose of uniformity is to propose guidance as it pertains to filing forms, proposing legislation, compliance techniques, etc. Recent uniformity meetings have avoided providing guidance by claiming individual state legislation mandates tax policy. Recommendation was made to follow the initial intent of uniformity and that is to provide guidance.

States Issues – Florida announced new electronic filing requirements for the terminal operator report, terminal supplier return and possible the petroleum carrier return. Effective 1/2013, Florida will begin transitioning from EDI to XML. Dual systems (EDI and XML) will be in place until 1/2014. Also, legislation may be proposed in the upcoming session that will move the collection of the inspection fee from the Department of Agriculture to the Department of Revenue.

Georgia announced they would be moving toward new electronic filing requirements (XML) in the near future.

States ExSTARS Update – Edie Martin (KS) provided an ExSTARS update for information filed in Kansas and Mississippi. In summary, the majority of the returns were filed using an 826 designation. This trend has been consistent since both states starting tracking this data. However, Kansas did not receive any files that were designated as 813 and 826 data.

IRS ExSTARS Update – Rich Little indicated the IRS is considering a move from DEI to XML for terminal operators and carrier reports.

The **Electronic Commerce Subcommittee**

Hal Lovell (California) reported there were sixteen (16) in attendance. The subcommittee discussed the following:

EDI REF Segment – the committee discussed the fact that the IRS might not need this segment anymore. We will be reviewing this issue moving forward and will see if this REF segment can be deleted from the FTA guide next year.

Ending Inventory by Position Holders in Terminal – the subcommittee members approved the draft segment to allow EDI reporting of the position holders ending inventory in the terminal that was submitted by Ray Grimm. This reporting segment was needed to “sync” EDI with the FTA paper and XML

formats that allows for reporting this transaction.

IRS Project to transition to XML – Rich Little presented a quick pitch for volunteers from the Industry and State Representative to join the IRS in the XML project for ExSTARS reporting. The IRS is trying to determine with their e-file efforts if XML might be a better platform for ExSTARS moving forward. Rich asked us to work with the point of contact, Larry Porter who will be the lead on this project for the IRS. Rich was able to get a few committee members to volunteer on this project.

Mexico import transactions in XML schema – Issue with transactions on imports from Mexico into the US in XML schema. How to handle transaction coming out of Mexico as imports where the State abbreviation code was not being allowed for legitimate Mexican states per the FTA postal code list.

Our committee reviewed this and recommended the following:

Adding to the XML schema an enumerated list that will include the Mexican States as displayed in appendix F of the FTA guide. Stan reported this issue has been fixed and we have a new postal code enumerated list that was updated to fix this issue.

The subcommittee reviewed the concept of surveying the need to increase the postal code field to a “3” alphanumeric field that would allow for more flexibility and less conflicts with other postal code

abbreviations. After some discussions the group agreed unanimously to monitor this issue going forward, but there is no business need that would require us to analyze this issue in any greater detail at this time. The committee will close this issue.

Import/Export Data Exchange – Hal Lovell will lead the effort to address a common Excel format for exchanging data between states. Hal will draft a letter addressing benefits of following a uniform format.

Implementation Guide

Approval Procedures – The subcommittee reviewed and approved the “new” approval procedures that added XML. We would like to get this document on the FTA website ASAP and then next year we will add this procedure to the Uniformity Books. They also discussed the need to clarify the definitions on Original/Amended filing options to assist the states and taxpayers in the best method of submitting corrections on uniformed forms.

Approved by the Full Committee

Approved to add XML to the Implementation Guide Procedures. This document will be put on the FTA website and then added to the 2013 Uniformity Books.

Approved to add the segment to allow the EDI reporting of position holder ending inventory in the terminal.

The Communication and Coordination Subcommittee

Christy Dixon (OK) reported that twenty-three (23) were in attendance.

The subcommittee discussed the following and the October 2012 Uniformer was distributed.

Buy/Sell Agreement – This was tabled until the next meeting. Anne Nicholson (ExxonMobil) is going to work on the draft language for the Buy-Sell Agreements for Model Legislation and a diagram for Renewable fuels to be discussed at the next meeting.

Bill of Lading project – Wilda Ice presented a draft white paper document for this project. The subcommittee discussed the draft and made a few revisions. The subcommittee approved the document with the revisions.

2012 Taxation Diversion and Alternative Fuels Booklet – The Taxation, Diversion and Alternative Fuels Booklet 2012 were distributed. The subcommittee discussed adding tax rates, conversion rates for Compressed Natural Gas, Liquefied Natural Gas and Propane to the booklet for 2013. The committee will discuss this addition next meeting.

Alternative Fuels Section of Model Legislation – the subcommittee has been asked to re-look at the Alternative Fuels Section of Model Legislation for any revisions that need to be made. This will be added to the agenda for our next meeting in January 2013.

White Paper Document – the subcommittee has been asked to do a white paper document on inventory gains and losses. This will be put on the January 2013 agenda.

Approved by the Full Committee

White Paper
Shipping Documents
Points to Consider Relative to
Fuel Tax Administration
2012

Introduction: What is a Bill of Lading? It is a document signed by a carrier (a transporter of goods) or the carrier's representative and issued to a consignor (the shipper of goods) that evidences the receipt of goods for shipment to a specified designation and person.

Carriers in all modes of transportation issue bills of lading when they undertake the transportation of cargo. A bill of lading is, in addition to a receipt for the delivery of goods, a contract for their carriage and a document of title to them. Its terms describe the freight for identification purposes; states the name of the consignor and the provisions of the contract for shipment; and directs the cargo to be delivered to the order or assigns of a particular person, the consignee, at a designated location.

The Code of Federal Regulation Title 49, part 172.201 authorizes the data requirement for common carriers.

In the motor fuel industry, a manifest or bill of lading is the document that must be issued by the refinery, terminal and/or bulk plant for each withdrawal from that specific location. The manifest or bill of lading shall show the following information: a unique number for the document, date shipped, name of carrier, origin (name and address of the terminal, refinery or bulk plant where product was loaded), the terminal or refinery control number (as issued by the IRS), name of the supplier, the receiving party (consignee), the destination, particular description of the product loaded, and the number of gallons. Some states may require supporting documentation or a separate bill of lading for split loads.

Any manifest, bill of lading, shipping paper or invoice for special fuel which is indelibly dyed in accordance with regulations prescribed pursuant to 26 U.S.C. 4082 shall include the statement

**"DYED DIESEL FUEL,
NONTAXABLE USE ONLY,
PENALTY FOR TAXABLE
USE."**

Some states require the tax due and/or the responsible party for tax to be included on the shipping document. Most states require printed bills of lading although few will authorize the use of hand written bills of lading.

Problem: One of the biggest problems with shipping documents is that shipping document formats vary by industry and by terminal operator.

When printing several copies of the bill of lading, the print becomes illegible. The format of some documents does not clearly identify the physical address of the terminal, refinery and/or bulk plant. The bill of lading number may not be legible or may be confused with other numbers on the document because it is not required to be uniform. The name of the supplier may or may not be on the shipping document.

Solution: A standardized shipping document with a uniform format that designated a specified area for: the name and address of the location where the fuel was loaded; the unique document number; the supplier name; the date product was loaded; identification of product; gallons loaded (net and gross). Any other information required by the domiciled state or the Federal government could be placed on the shipping document in an area according to each terminal's specification.

Much of the information on a bill of lading is already transmitted electronically to the suppliers. This format must already be standardized. The idea solution would be to transfer that information to a standardized hardcopy, which is printed for the transporter.

New Business

Printing of the Uniformity Books and CD's – The State of Minnesota cannot continue to print the Uniformity Books and make the CD's. The State of Virginia will check to see

that can print the books and make the CD's for next year.

Next Meeting

The next Uniformity Committee meeting is scheduled for January 25-26, 2013 in Long Beach, CA.

FTA Motor Fuel Tax Training Courses

The FTA Classes are currently being scheduled. Check FTA's website for more information www.taxadmin.org

UPCOMING MEETINGS 2013

Uniformity Meeting

January 25-26, 2013
Long Beach, California

Pacific Region

April 21-23, 2013
Virginia City, Nevada

Northeastern Region

Tentatively
May 19-21, 2013
Burlington, Vermont

Uniformity Meeting

May 3-4, 2013
Houston, Texas

Southern Region

June 16-18, 2013
Little Rock, Arkansas

Uniformity Meeting

September 20-21, 2013
Fargo, North Dakota

Motor Fuel Annual Meeting

September 22-25, 2013
Fargo, North Dakota

**MOTOR FUEL STEERING
COMMITTEE MEMBERS**

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Edie Martin, Kansas

National Vice Chair

Jim Oliver, Kentucky

Past Chairs

Dawn Lietz, Nevada

Rosemary Cleary, Connecticut

State Uniformity Chair

Jeremy Neeck, Minnesota

Industry Uniformity Chair

Robert Donnellan

**MOTOR FUEL REGIONAL
GOVERNORS**

Midwestern Region

Wesley Luthy, Ohio

Northeastern Region

Chuck Ulm, Maryland

Pacific Region

Steve Holbrook, Idaho

Southern Region

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