

The Uniformer

MESSAGE FROM THE NATIONAL CHAIR DAWN LIETZ

Greetings to all from Nevada! It is hard to believe that it is already Fall. The leaves are changing color, morning temperatures are cool and crisp, and holiday planning is well under way. This year has flown past and 2012 will most certainly go down in history for me as the "year of travel." Serving as your National Chair provided me with an opportunity to travel places I had never been, meet people I had never met, experience many firsts such as the beauty of Annapolis or the sights, sounds, and smells on Bourbon Street. Most of all, it gave me a true appreciation for all of the hard work and dedication it takes to make these meetings possible. I cannot begin to "thank you" enough for providing me with this privilege to serve you.

Nevada has shown slow but steady economic recovery in sales tax, gaming revenues and population growth over the past several months. However, high unemployment and the housing market declines continue to keep us at or near the bottom in economic recovery as compared to the rest of the Nation. We will survive, but it will take several years and changing the way we do business before we will see economic gains once again. Change is never easy, but it is often necessary. Nevada has always relied on gaming and tourism to sustain its economy. That is great when times are good, but it can be catastrophic

when times are tough. Nevada is looking to the future and identifying ways to sustain a healthy economy; and as Tax Administrators we must do the same.

Take a minute to think about how much the fuel industry has changed in just the past 10 years just in the area of Bio-diesel blends, ethanol production, LNG, shale and natural gas extraction. This is an ever evolving industry and it is important for us to remain knowledgeable and recognize how these changes will affect the reporting and revenue collections of motor fuel and special fuel taxes. Equally important is recognizing what we must do today to be prepared for future changes. Uniformity across the jurisdiction lines helps to ensure we are all speaking the same language and preparing for the future with the least amount of disruption to the Industry. Most states require a minimum of two years to get legislation changes in place to accommodate changes in the industry. Therefore, we must be diligent and up to date in education, while always be seeking ways to stay ahead of future trends and products making their way into the fuel market. Working together, we can embrace the evolving motor fuel industry and be proactive in finding solutions to future problems.

Again, it has been my pleasure to serve you and I wish you all the very best.

Please feel free to contact me at any time if there is anything you

would like the Motor Fuel Tax Section to consider as we move ahead. I can be reached at dlietz@dmv.nv.gov or (775) 684-4626. Thank you and I hope to see you at the Annual Meeting in Providence, or one of the FTA events during 2013.

MESSAGE FROM THE UNIFORMITY COMMITTEE STATE CO-CHAIR JEREMY NEECK

It is hard to believe that a year has already passed since the last national conference and I became the uniformity co-chair. I am very happy with the progress that has been made with motor fuel uniformity and the cooperation and collaboration that we have between states and industry to achieve a common goal. Many great things have happened in the last year, and I was very pleased that we were able to offer Basic Auditor Training in Minneapolis and we have Advanced Auditor Training scheduled for the end of November in Savannah, Georgia. The Uniformity Meeting participation was very steady with about 30 people attending each and this is something we want to continue to grow in the future. I want to thank all of the state and industry subcommittee co-chairs for their hard work and dedication, without your continued support the uniformity project would not be as successful as it currently is. As we move forward into 2013, I hope states and industry continue to see the value of the uniformity project and continue to allow participation in these meetings.

Thank you and I look forward to working with you all in the next year.

Jeremy Neeck
FTA Uniformity State Co-Chair

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

I would like to take this opportunity to **THANK** all members of the Oil Industry for you allowing me the privilege to represent you as your Industry Co-Chair. I know all of you understand the importance of becoming Uniform and that shows at all the meetings throughout the year. Without all of your hard work and dedication we wouldn't be where we are today. We still have a lot of work to do and I know with your help we inch closer and closer. As long as I am able I will continue to serve you in this capacity and look forward to another productive year.

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

The Fuel Tax Council's (FTC) fall semi-annual meetings are in Winnipeg, Manitoba on October 23rd and 24th, 2012. The next meetings will be in Fredericton, New Brunswick on May 14th and 15th, 2013.

The FTC's efforts and plans focus on a number of key priorities intended to improve both the administration of motive fuel taxes across Canada and the

efficiency and effectiveness of the FTC.

The FTC is accountable to the Canadian Jurisdiction's Senior Revenue Executives through two national committees. Each year progress on priorities and future directions for the FTC are confirmed or established at those Committees' meetings. As a result, our focus is to continue to develop and maintain a tax administration model that promotes efficiency, uniformity and compliance; to work with stakeholders to understand and respond to emerging motor fuels; to review the FTC's current method of operations and to enhance the FTC's performance measurement and reporting capabilities.

Continuing priorities include:

- the System's Information Binder that offers a standard information and documentation format designed to reduce effort and increase accuracy during the course of a fuel tax audit,
- improving the exchange of information between governments on the movement of reportable fuels and on compliance efforts,
- further development and maintenance of the standards and forms making-up the uniform fuel tax administration model, and
- offering and enhancing training courses and methods of delivery in a

growing number of key areas.

An increase in focus will be in the areas of:

- evaluating and measuring the impact of Alternative Fuels on tax risks, administration and revenues,
- assessing the level of transactional details needed from industry and other Governments,
- evaluating and recommending improvements to the current operating and funding models used by the FTC,
- measuring and evaluating the performance, roles and deliverables of the FTC, and
- communicating and controlling public and secure materials and documents owned and managed by the FTC.

I look forward to joining you in Providence, Rhode Island to discuss areas of shared interest concerning motor fuel tax.

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, San Antonio, Texas on June 2, 2012. Jeremy Neeck (MN) Uniformity State

Chair called the meeting to order. Thirty (30) were in attendance.

Minutes

The minutes of the January 2012 Uniformity Committee in Portsmouth, VA were approved.

Presentations:

Gloria Spencer, License Customs Broker with Custom Insight gave a presentation on duty drawback. A drawback is a refund of 99% of certain customs duties, taxes and fess paid up on importation of goods in the US when these goods are subsequently exported.

Jeremy Neeck, State of MN gave a presentation on Alternative Fuel Retail Station the first one in the US located in LaCrosse, WI. The Station is unmanned. Also gave a presentation on the alternative fuel vehicles that are on the market today.

Bill Gray and Rich Little gave a presentation on FTA to EIA Product Code Project to help everyone understand the EIA Product Code and why the IRS is going to the EIA codes.

SUBCOMMITTE REPORTS

The **Compliance Subcommittee** Cindy Mongold (KS) reported there were eighteen (18) in attendance. The Committee discussed:

Training Schedule for 2012 – Announced that the FTA Motor Fuel Basic Training Course is schedule for July 29-August 2 in Minneapolis, Minnesota at the Minneapolis Airport Marriott.

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

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

Dyed Diesel Stats – The state representatives have been responsive to the expanded 2012 dyed fuel stats reporting which includes vehicle type and industry. The tracking spreadsheet is being updated as information is received.

Old Projects

Sale of “off spec” military fuel – additional information obtained from representative of the Defense Logistic Agency indicates theft of military fuel seemed to be a bigger issue than sell/use of “off spec” military fuel.

Airport “stale” fuel issued and taxation and sale of “off spec” military fuel – Discussed a theft and fraud case regarding a trucking company contracted to haul rainwater that had mixed with spilled fuel on the ground of an airport fuel farm.

Update on Electric vehicle list serv question– the committee discussed a spreadsheet that was provided with responses received from 17 states and an FHWA representative.

IRS Update – Compliance issues seen at the federal level are concerning alternative fuels, black liquor and use of exemption certificate and taxability of fuel.

These federal issues would not affect the states.

Discussion with a Compliance officer from the Pacific Region
Presented information provided by the Pacific Region representative and at this time they have not identified any new compliance issues in their state.

Home CNG Fuel Stations
Handed out articles regarding home CNG fueling stations and discussed the problems with taxing this fuel for road use when separate meters may not be required by state law and when the liquid is actually compressed may be an issue for some also. A suggestion regarding a White Paper was made.

New Projects

Open discussion on:

- Barge statistical information

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) – tabled until next meeting.

Methods for Reporting Renewable Fuels – an update was given on converting FTA to EIA codes. Do to cost and complexity of converting to new product codes, the team recommended that FTA should not convert to EIA codes at this time. It was recommended to

move forward with adopting products codes for the following:

- Ultra low sulfur diesel (Undyed)
- Ultra low sulfur diesel (dyed)
- CBOB (meets the definition of a taxable product)
- CBOB (does not meet the definition of a taxable product)
- RBOB (meets the definition of a taxable product)
- RBOB (does not meet the definition of a taxable product)

A recommendation was made to use the first three (3) digits of the EIA code whenever possible.

Product code Request – A proposal was made for two (2) new product codes for Mixed Stream Fuels:

- NGL mixed stream requiring further processing to be gasoline blendstock
- Mixed stream of butanes and pentanes plus that does not require processing to be used as gasoline blendstock

After much discussion, no state felt the need to track mixed stream, natural gas liquids (LPG/Propane)

Uniform Alternative Fuels Tax Report – A team was put together with the following mission:

1. Determine if a uniform form is necessary.
2. If necessary, design a form with instructions that can be used to file and pay alternative fuel tax.

Alabama Forms Review – Alabama updated their returns and provided revisions to the Forms Review Team. The Team

and the subcommittee members reviewed the changes and could not find additional problems.

Schedule Code Project – A survey was sent to each state asking them to list the uniform schedule codes they are currently using of the motor fuel tax returns. Twenty-six (26) states responded, 15 states did not respond and 9 states were identified as not using uniform schedules. The forms team is going to contact the states that did not respond and present an update at the next meeting.

Schedule Code 15C – The Electronic Commerce subcommittee asked the uniformity committee if they can move forward with adding 15C to EDI X12 and XML since 15C is currently in the uniformity guide as a uniform schedule.

Filing Frequency (monthly/annual) – A suggestion was made to make changes to the document for “Proposed” Best Practice Prior Period Transaction reporting and the table of contents to the uniformity guide. The changes would remove language that would infer proposed versus actual best practices for reporting prior period transactions.

Industry Concerns:

- Texas-Ownership of fuel on a barge can change hands between being loaded and delivered. Texas wants supplier to provide a trail.
- Connecticut-new schedule has a cap at \$3.00 per gallon. Difficult for industry to provide

information and changes require system changes.

- States netting motor fuel refunds against outstanding bills for non-fuel related taxes creates hardship for industry.
- A state issued a lien based on a bill. Industry never received paper work for the bill.

Approved by the Full Committee

The following Alabama forms were approved as uniform:

- Terminal Operator
- Transporter
- Supplier/Permissive Supplier
- Importer/Exporter
- Blender

Add Schedule 15C to both EDI X12 and XML schemas.

The following changes were approved for the “Proposed” Best Practice Prior Period Transaction Reporting document:

- Remove “Proposed” from FTA Motor Fuel Tax Uniformity Committee “Proposed” Best Practice Prior Period Transaction Report.
- Delete Goal: To create a suggested practice to benefit both States and Industry, regarding prior period transaction reporting Issues.
- Remove “proposed” from “Proposed: Best Practice Prior Period Transaction Reporting”.

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- Remove “proposed” from “Proposed: Best Practice Prior Period Transaction Reporting”.

Approved Product Codes

- 313 – Ultra low sulfur diesel (undyed)

- 314 – Ultra low sulfur diesel (dyed)

- 301 – CBOB

- 302 – RBOB

Note: The Uniformity Committee decided that there is not a need to have a product code for “meets the definition of a taxable product” and “does not meet” the definition of a taxable product for CBOB and RBOB. Taxability will be based on the schedule type.

A motion was approved not to add verbiage regarding filing frequency to the uniformity guide.

The Electronic Commerce Subcommittee

Hal Lovell (California) reported there were nine (9) in attendance. The subcommittee discussed the following:

Impact of product code issues on EDI – Continue to monitor, make recommendations for incorporating EDI changes once solution is approved.

XML Update – It was reported this would be an on going project. The committee will continue to monitor the progress of the guide.

XML Schema 1.0 version and 2.0 versions – Group went over minor tweaks to the Motor Fuels Schema section of the 1.0 Version of XML. Discussed the ability to track ending inventory in the terminal by position holder. The committee approved this new reporting element with the suggestion that “ending inventory” by Position Holder be a “Mandatory” field. Everyone agreed to the modification and the modification will also be

implemented with Version 2.0 of the XML schema.

Foreign diplomat reporting with PID number – The committee discussed how a state tax system could capture a PID (8 digit number) for consulate sales in the buyer field. The EDI/XML schema will not allow this entry. The committee decided that there is no easy solution and that at this time it does not appear to be a big issue. The committee closed this issue,

Ending Inventory by Position Holder in a Terminal – The committee discussed and agreed that they need to review and recommend a method to report position holder inventories in a terminal for EDI X12 reporting.

Diversion number for X12 – It was discussed how states will report a diversion number in the X12 map. The committee recommended adding to the XML schema an enumerated list that will include the Mexican States as displayed in Appendix F of the FTA Guide and in the X12 Data Dictionary. Team members will work on the recommendation.

Mexico exports – The XML schema (Postal Table) does not allow a Mexican state to be reported for a fuel movement out of Mexico into the US.

Import/Export Data Exchange – The committee has discussed a need for more uniformed data from the other states that share data. The goal is to provide a “uniformed” sample that will encompass the most common

fields being reported between states.

Report Filing Type Issue – SDR

There is confusion between Supplier/Distributor reporting requirements on SDR form. A state is using the SDR report filing type for both Supplier and Distributor tax activities. Recommendation is to add two (2) new report types in lieu of SDR report types as follows:
 SUR Supplier Report
 DIS Distributor Report

XML documentation available to stakeholders

Subcommittee feels that they should look at incorporating the XML business rules and review procedures in the existing EDI guide or creating a second Implementation Guide for XML. A “new” committee will be formed to look at this matter.

ExSTARS Data review and analysis – Majority of the files continue to be 826's (826 files must be handled according to the IRS confidentiality rules)

Approved by the Full Committee

Approved the following changes to the Appendix I in the EDI Guide Book:
 TOR –Terminal Operator
 SDR—Supplier/Distributor Report
 SUR – Supplier Report (added this)
 DIS – Distributor Report (added this)
 CCR – Common Carrier Report
 RET – Retailer Report
 DLR – Dealer Report

Approved to update the EDI Guide to add Schedule 15C

Approved XML Schema 2.0 version to be adopted and moved into production

Approved to remove the word "Proposal and goals" out of the booklet (page 59)

The Communication and Coordination Subcommittee

Christy Dixon (OK) reported that eighteen (18) were in attendance.

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

Buy/Sell Agreement – Anne Nicholson with Exxon Mobil is going to work on draft language for Buy-Sell Agreements for Model Legislation and a diagram for Renewable fuels to be discussed at the next meeting.

Definitions – The subcommittee was asked to do definitions for the following:

- Liquefied natural gas (LPG)
- Compressed natural gas (CNG)
- Natural Gas

Bill of Lading project – this project has been tabled until October 2012 meeting.

ExTOLE – Since the IRS has shut down this system; the committee feels a white paper on this system should be placed in the Uniformity Booklet for history purposes.

2012 Taxation Diversion and Alternative Fuels Booklet The booklet will be updated for 2012 and the information will be sent

out to the states for revisions, edits, etc.

Import/Export information

Continued a discussion on the how the States are going to share the import/export information electronic now that ExTOLE system has been shut down.

Approved by the Full Committee

Definitions

- Liquefied natural gas (LNG): Natural gas (primarily methane) that has been liquefied by reducing its temperature to 260 degrees Fahrenheit at atmospheric pressure.
- Compressed natural gas (CNG): Natural gas compressed to a pressure at or above 200-248 bar (i.e., 2900-3600 pounds per square inch) and stored in high-pressure containers. It is used as a fuel for natural gas-powered vehicles.
- Natural gas: a gaseous mixture of hydrocarbon compounds, the primary one being methane.

New Business

IRS Update – Rich Little with the IRS gave an update on ExSTARS and the new highway bill.

Canadian Update – Rick Callaway gave an update on the Canadian Fuel Tax Council. The Council is working on:

- System information binder
 - Audit best practice binder
 - Enforcement binder
 - Exchange of information MOU
 - Electronic reporting standards
 - Alternative review of tax evasion
- Emerging fuels
Industry changes

Old Business

The Committee reviewed the Mission Statement, Goals and the roles of the subcommittee of the Uniformity Committee. It was **approved** that we remove ExTOLE from the goals and role of the subcommittee.

Next Meeting

The next Uniformity Committee meeting is scheduled for October 26-27, 2012 in Providence, RI

FTA Motor Fuel Tax Training Courses

Advanced Training Course is scheduled for November 25-29 in Savannah GA

For more information on the classes please visit FTA's website at www.taxadmin.org

UPCOMING MEETINGS 2012

Advanced Training Course
November 25-29, 2012
Savannah, Georgia

UPCOMING MEETINGS 2013

Uniformity Meeting
January 25-26, 2013
Long Beach, California

Pacific Region
April 21-23, 2013
Virginia City, Nevada

Northeastern Region
Currently being schedule for May

Uniformity Meeting

Currently being schedule for May
or June 2013

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

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Southern Region

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