

Business tax tip #23

What You Need to Know about the International Fuel Tax Agreement

What is the International Fuel Tax Agreement?

The International Fuel Tax Agreement (IFTA) is an accord among U.S. states and Canadian provinces to simplify reporting fuel used by interstate/interjurisdictional motor carriers. Credentials from a carrier's base jurisdiction will allow an IFTA licensee to travel in all IFTA member states or provinces.

Who must obtain an IFTA license and decals?

Any motor carrier based in Maryland and operating one or more qualified motor vehicles in at least one other IFTA member jurisdiction must file an IFTA license application in Maryland.

What are qualified motor vehicles?

Qualified motor vehicle means a motor vehicle used, designed, or maintained for the transportation of persons or property and possesses any of the following characteristics:

It has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms.

It has three or more axles regardless of weight.

It is used in combination when the weight of the combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle weight, or registered gross vehicle weight.

Are any carriers with qualified motor vehicles exempt from obtaining an IFTA license and IFTA decals?

Carriers that operate all their qualified motor vehicles in Maryland 100 percent of the time (intrastate) are exempt from IFTA, provided all of their qualified motor vehicles are tagged in Maryland. Carriers that operate some qualified motor vehicles intrastate and some interstate (in Maryland and at least one other jurisdiction) do not need IFTA decals for the intrastate vehicles if they are tagged in Maryland.

However, they must have an IFTA license and IFTA decals for all their other interstate qualified motor vehicles. Carriers that qualify as IFTA licensees may elect not to participate in the IFTA program, but then must obtain individual trip permits from and before entering each IFTA jurisdiction according to the

regulations and fees of each respective jurisdiction. All other carriers must obtain an IFTA license and IFTA decals for each of their qualified motor vehicles.

How are the IFTA license and decals displayed on vehicles?

When an IFTA license application is approved, the Comptroller will issue IFTA decals. An IFTA licensee will get two decals for each qualified vehicle. The IFTA decals must be placed on the exterior of both sides of the power unit. Failure to display the decals properly may subject the licensee to citations and/or fines, and the licensee may be required to purchase a trip permit.

Where can I get my IFTA license and decals?

You have to obtain your IFTA license and decals from your base state. Maryland is your base state for IFTA registration if both of the following conditions apply:

Your qualified motor vehicles' operational control and operational records are maintained or can be made available in Maryland
Your qualified motor vehicles within the fleet traveled in Maryland. IFTA commissioners of two or more affected jurisdictions may allow the consolidation of several fleets which would otherwise be based in two or more jurisdictions.

What records do I need for an IFTA audit?

You must maintain records of all inter-jurisdictional and intrastate operations of qualified motor vehicles. The records must support the information reported on the quarterly tax report. The Individual Vehicle Mileage Report (IVMR), as required for the International Registration Plan (IRP), is an acceptable source document for recording vehicle distance information. Mileage must be kept by fuel type. Another acceptable document is a trip report which includes important information such as date of trip, trip origin and destination, and total trip miles.

You must also maintain complete records of all fuel purchases. Separate totals must be compiled for each fuel type and reported separately on your quarterly tax report. Acceptable fuel receipts include an invoice, a credit card receipt, automated vendor generated invoice or transaction listing, or verifiable microfilm/microfiche. Receipts with alterations or erasures will not be accepted.

If you maintain a bulk motor fuel storage facility, you may obtain credit for tax paid on fuel withdrawn from that storage facility if the following records are maintained:

Date of withdrawal.
Number of gallons or liters withdrawn.
Fuel type.
Unit number of the vehicle into which the fuel was placed.
Purchase and inventory records to substantiate that tax was paid on all taxable fuel disbursements.

Adequate record keeping is vital for documenting your compliance and your claim for a refund or credit for tax-paid fuel. Records must be maintained for four years from the due date of the report or the date the report was filed, whichever is later. Non-compliance with any record keeping requirement may be cause for revoking the license, and the Comptroller may impose a penalty of 100 percent of the amount of tax due based on an assessment.

How are IFTA audits conducted?

An auditor will contact you to arrange a date and time for your IFTA audit. When operational records are not located or are not made available in Maryland, the auditor's travel expenses will be billed to you. The auditor will inform you of the findings and recommend future reporting practices. An audit assessment notice will be sent to you after the written copy of the audit is processed. You have 30 days after receiving the assessment to remit payment or file an appeal. The Comptroller will submit audit reports to all member jurisdictions. Any member jurisdiction may re-examine the audit findings. A member jurisdiction may re-audit a licensee, at its own expense, after notifying the base jurisdiction and the licensee of reasonable cause for the re-audit.

What are the filing requirements under IFTA?

IFTA tax returns are filed every calendar quarter and are due no later than 30 days after the quarter ends.

<u>Reporting Quarter</u>	<u>Due date</u>
January - March	April 30
April - June	July 31
July - September	October 31
October - December	January 31

You must file an IFTA quarterly tax return and schedule(s) even if you did not travel or did not owe tax in the quarter. They must be postmarked or delivered to the Regional Processing Center by the due date. Please note that tax returns should be sent to:

Comptroller of Maryland
P O Box 2171
Annapolis, MD 21404

The IFTA quarterly tax returns and schedules will be sent to all IFTA licensees at least thirty days before the due date. The penalty for not filing or late filing is \$50.00 or 10% of the tax plus interest. Failure to receive the quarterly tax return **does not** relieve the licensee from the reporting requirement. Duplicate quarterly tax returns and schedules can be obtained by calling the Motor-fuel, Alcohol and Tobacco Tax (MATT) unit at 410-260-7131.

Information required to compile the IFTA quarterly tax return is as follows:

Total miles traveled by vehicles in quarter

Total gallons purchased for the quarter
Taxable miles traveled in each member jurisdiction
Taxable gallons consumed in each member jurisdiction
Tax paid gallons purchased and placed into vehicles in each jurisdiction

The Comptroller of Maryland now offers the convenience and accuracy of internet-based filing of IFTA returns. This can be done at no cost to you and is available through most internet connections. Go to the Comptroller of Maryland website: https://interactive.marylandtaxes.com/Extranet/MFTB/IFTA_NY

Where can I register?

You can request an **IFTA license application** by contacting:

Comptroller of Maryland Motor-fuel, Alcohol and Tobacco
Tax Unit - IFTA Program P.O. Box 2999 Annapolis, MD
21404-2999

You can also obtain the application at any of the **Comptroller's taxpayer service offices** located in Maryland or download it from the Comptroller's Web site.

Where can I call for IFTA reporting and licensing questions?

Call the Motor-fuel, Alcohol and Tobacco Tax Unit at 410-260-7131 from Central Maryland, or toll-free 1-888-784-0142 from elsewhere in Maryland, or e-mail: **mft@comp.state.md.us**