

Why your chargeback looks Loonie

And why driving in the US is suddenly more expensive

You may be looking at your International Fuel Tax Agreement (IFTA) chargeback from your carrier and thinking, “*What the? Those people have finally lost it...*”

And they may have, but the fact that your IFTA chargeback is greatly different from previous quarters is probably not your carrier’s fault.

Blame US exchange rates and Michigan.

As our dollar tumbles, everything you buy on the US side of the line is more expensive. Whether you pay by cash or credit card, it’s essential that you and your bookkeeper distinguish between US and Canadian dollar expenses and make the appropriate adjustments on your business income statement.

But let’s get back to fuel tax and why you should plot your fuel stops and find out what you really pay for diesel. It might change your approach to where you fill up your tanks.

What you owe is calculated based on where you burn the fuel, not where you buy it.

When you buy diesel fuel, part of the price is tax. Canada and the US both levy a federal tax; in Canada, you pay GST or HST as well.

You also pay provincial or state fuel taxes. These really are fuel-use taxes, because what you owe is calculated based on where you burn the fuel, not where you buy it. If you travel 100,000 miles in Manitoba but never buy a drop of fuel there, Manitoba is still owed fuel tax on those 100,000 miles.

In order to make sure each jurisdiction gets its due, 48 states and 10 provinces are members of the International Fuel Tax Agreement, or IFTA. Instead of filing fuel tax returns with each state or province, you file one quarterly report with your base jurisdiction that reflects your net tax or credit, and it will apportion any tax you paid according to the number of miles traveled in each jurisdiction. If the net result is an overpayment, you’ll receive one consolidated refund from your base jurisdiction.

If you’re like most owner-operators, your carrier is responsible for fuel tax, licensing, and reporting for your vehicle. Who actually pays state or provincial taxes is another question. Depending on your contract, the carrier may pay all fuel taxes.

But if the carrier charges you when you owe fuel taxes or pays you when you’re due a refund, you

should be concerned with where you buy your fuel so you can maximize your refund.

The fact is, you don’t really know how much fuel costs until you take the taxes out. Just because you have an IFTA refund doesn’t mean that you have purchased in a cost-efficient way. The big picture goal is to pay the least amount for your fuel including the upfront purchase cost and factoring in the IFTA refund or payable.

If you buy most of your fuel in Canada then your Canadian-currency fuel tax refund must be credited against your US-currency fuel

tax debt. This could put you in a payable or reduced refund. Even though it appears to be more money up front, buying more fuel in the US obviously could create the opposite.

So, why blame Michigan?

On Jan. 1 it upped its fuel tax rate by a little more than 11 cents per gallon. That’s a one-time increase of more than 40%. Pennsylvania and a dozen or so other states increased their fuel taxes as well. So now every time you drive in the US, it costs more – and you’re paying for it with a sliding Canadian currency.

It may pay to buy as much fuel as



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