



Road Ready

big money *Take out the tax to see the net price of fuel.* By Scott Taylor

These days, truck owners are doing anything they can to save a buck on fuel. But before you strip off your bug deflector, 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.

When you buy diesel, part of the price is taxes. The United States and Canada both levy a federal tax that's uniform across each respective country. In Canada, you pay GST or HST as well.

You also pay state or provincial taxes. And they vary from jurisdiction to jurisdiction. You don't really know how much fuel costs until you take all the taxes out. Say you're passing through Montana and Wyoming on a trip down to Denver. Why pay \$3 a gallon in Montana when you can hang on and pay \$2.90 US in Wyoming? One reason is the state fuel tax rates. Montana's is 27.75 cents a gallon. Wyoming's is 14 cents. Take out the taxes and fuel in Montana is \$2.73 cents, about 5 cents cheaper than in Wyoming.

Second, state and provincial fuel taxes 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 still is owed fuel tax on that 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.

Once you put an IFTA decal on the truck, each and every mile it travels becomes reportable, whether it's empty or loaded.

Instead of filing fuel tax returns with each state or province, you get one licence from your base jurisdiction, one set of decals, and file one quarterly fuel tax report that reflects the net tax or refund due. The base jurisdiction then apportions the taxes according to the miles traveled in each state or province. During a three-month span, you will have paid too much tax relative to the number of miles you ran in a given state or province and you'll be owed a refund. In others, you'll owe tax.

What you can do is buy as much fuel as possible from states and provinces with the best net price. You can see our free and regularly updated fuel-price comparison chart at www.tfsgroup.com/tfs/wheretobuyfuel.html.

If you're like most owner-operators, the carrier you're leased to is responsible for fuel tax licensing and reporting for your vehicle. Who actually pays state or provincial taxes is another question. Depending on your owner-operator contract, the carrier may pay all fuel taxes, in which case your only concern is the lowest pump price. But if the carrier charges you when you owe fuel

taxes because more jurisdictions are combining IFTA audits with audits for other taxes that are apportioned by mileage, like vehicle registration (IRP) or sales taxes. Once you put an IFTA decal on the truck, each and every mile it travels becomes reportable, whether it's empty or loaded, or ends up staying in your home province all the time.

When IFTA auditors



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.

If you're required to file fuel tax reports yourself, your home jurisdiction will have a manual that details what information it needs regarding mileage and fuel purchases. You have to maintain your records for at least four years—16 quarters. Accurate records are impor-

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When IFTA auditors review your reports, the failure to account for all miles is one of the primary errors auditors look for. The more accurate your trip data is, the more accurate the IFTA reporting will be, which will help to reduce your audit risk. ▲

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