

Tax
Talk

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Why it pays to know the net fuel price

Truck owners will do anything to save a buck on fuel. But before you leave the spare tire at home, 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 fuel, part of the price is tax. Canada and the US both levy a federal tax that's uniform across each respective country. 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 still is 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. It then apportions any tax you paid according to the number of miles travelled in each jurisdiction. If the net result is an overpayment, you will receive one refund from your base jurisdiction.

Even if you did not operate your vehicle in any IFTA-member jurisdiction or purchase any taxable fuel during the quarter, you still have to file quarterly fuel tax returns if it's licensed under IFTA.

Where to buy fuel

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 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.

Say you're passing through Idaho and Washington on your way to B.C. Why would you hang on and pay US\$4 a gallon in Washington when you can pay \$3.90 in Idaho? One reason is difference in the states' fuel tax rates. Idaho's is 25 cents a gallon. Washington's is 37.5 cents a gallon. Without state tax, fuel in Washington is 3.625 cents, about 2.5 cents cheaper than in Idaho. It may pay to 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.

Managing IFTA returns

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. Accurate records are vital because more jurisdictions are combining IFTA audits with

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audits for other types of taxes that are apportioned by mileage, like vehicle registration (IRP) and sales tax.

You should keep original documents to support miles travelled in each jurisdiction, as well as original fuel receipts, for at least four years – 16 quarters.

In most cases, if you can't provide adequate fuel and mileage records, tax authorities will estimate the amount of tax you owe. The estimate can be based on your filing history or industry averages for distance and miles per gallon. The estimate will be the final determination, unless you can provide more information to show that it's incorrect.

Reportable miles

Once you put an IFTA decal on the

truck, each and every mile it travels becomes reportable, whether it's empty or loaded or stays in your home jurisdiction all the time.

If you use GPS or some other vehicle-tracking technology to record distance, you should review your jurisdiction's requirements for electronically generated records, including date and time stamping, latitude and longitude, printouts, and the system's method for making distance calculations.

When IFTA auditors review your reports, the failure to account for all miles is one of the primary errors they 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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