

The Uniformer

Message From The FTA Motor Fuel Tax Section Chair Christy Dixon

As I anticipated this year has already been very busy and rewarding for me. I had the pleasure of attending the FTA Executive Board Meeting in March, concerning the FTA Motor Fuels Tax Section Bylaws. The Steering Committee is busy working on topics and speakers for the 2005 FTA Motor Fuels Tax Section Annual Meeting.

The Motor Fuels Tax Section has many challenges and tasks ahead of them in order to work towards achieving uniformity, improving state fuel tax administration, and minimizing fuel tax evasion.

The Motor Fuels Tax Section is only as strong and effective as the partners (governmental agencies and industry) make it. The Section's challenges and tasks cannot be achieved by one state, one company or even by one individual. The Motor Fuels Tax Section Foundation has always been built on commitment and partnership. This includes considering every one's concerns, thoughts, and opinions when addressing motor fuel issues. It is because of this commitment and partnership that the Motor Fuels Tax Section has always been strong and effective on facing challenges and tasks.

I would like to challenge the Motor Fuels Tax Section to continue to build on our section's foundation of commitment and partnership between governmental agencies and

industry. If we continue to build on this foundation, the section will continue to grow stronger and more effective in achieving uniformity, improving state fuel tax administration and minimizing fuel tax evasion.

I would also like to take this opportunity to thank each and every one of you in the Motor Fuels Tax Section for all of your hard work, commitment, and dedication to the section.

Once again, thank you for the privilege, honor, and confidence of serving as your FTA Motor Fuels Tax Section National Chair for 2005. I look forward to working with each of you this year. If I can be of any assistance, please do not hesitate to contact me.

Message From The Uniformity Committee Industry Co-Chair Bob Donnellan

After the National meeting in Boston I was approached by several industry as well as various states as to the blatant animosity towards the Industry. I don't think this is the forum to mention names and or states after all you know who you are. I think it is time for the eyes rolling and the animosity to cease. After all isn't that what uniformity is supposed to represent? We as tax professionals need to realize that we will not always agree, and that is okay, we can still have a professional relationship and get things accomplished. With gasoline prices on the rise it is more important than ever that industry and government work

together. If uniformity is going to work it needs to be looked at as a partnership not government against Industry. We as industry are here to help you. I can't stress that enough. If we can't stop the thieves from stealing then ultimately we are put out of business. With that being said let's put aside our differences and show each other the respect that we all deserve.

Message From The Uniformity Committee State Co-Chair Patricia Platt

We all know that stopping fuel tax evasion is a very difficult task. The FTA Motor Fuel Uniformity meetings are a great source for information sharing regarding evasion. Ideas and techniques to hinder evasion are discussed. I often leave the meeting with a process improvement I would like to implement. Due to system limitations, statutes and other processes, I may not be able to implement the idea right away. This can be discouraging. However, if at some point circumstances change which may allow for implementation of a new process, you don't have to reinvent the wheel. The processes are already documented. We all work very hard to identify process improvements and document them in the Uniformity book or on CD. This documentation has proven to be a great reference tool for everyone to use.

The Uniformity meetings provide a wealth of fuel tax data and information sharing. Working together, we can accomplishment

many things. The FTA Motor Fuel Group is leading the way! I hope to see you at the next meeting!

Uniformity Committee

The FTA Motor Fuel Tax Section Uniformity Committee met at the Savannah Marriott Riverfront in Savannah, Georgia on January 29, 2005. Uniformity Chair Patricia Platt (KS) called the meeting to order. Fifty (50) were in attendance.

Minutes

The minutes of the October 2004 Uniformity Committee meeting in Boston, Massachusetts were approved as written.

Subcommittee Reports

Compliance Subcommittee

The Compliance Subcommittee Bob Bray (Ohio) reported that thirty (30) were in attendance. The committee discussed what types of presentation the committee would like to have for future meetings. The committee also discussed some new schemes being identified using stolen identities. The committee may get involved regarding monitoring compliance issues involving the recent change in motor fuels laws stemming from the Federal new "Job Creation Act". The committee also discussed the upcoming training classes and is looking for future instructors.

Electronic Commerce Subcommittee

The Electronic Commerce Subcommittee Doreen Warren (Idaho) reported the two sessions discussed the following:

Technical

(16 in attendance)

- ◆ Paper Returns translated to EDI
- ◆ Changes to the EDI Implementation Guide
- ◆ Promoting Uniformity Participation
- ◆ Reviewed Action Plan

Not Too Technical

(33 in attendance) (this was combined with Forms Management meeting)

- ◆ Jobs Creation Act
- ◆ Diversion Registry
- ◆ Product Reclassification
- ◆ EC 2004 Survey
- ◆ Document on Paper returns translated to EDI
- ◆ Multiple report types

Forms Management Subcommittee

The Forms Management Subcommittee Herman Wisneski (State of Minnesota) reported that this committee met with Electronic Commerce. There were 33 in attendance. The subcommittee discussed the following:

- ◆ Uniform blenders report
- ◆ Product Reclassification
- ◆ Paper returns translated to EDI
- ◆ Comparison of FTA and IRS product codes

- ◆ Michigan request for Alternative Fuel Production Schedule
- ◆ Nebraska's request for a product code for Natural Gasoline
- ◆ Product code for undyed and dyed Biodiesel (rollup)
- ◆ IRS request for product code for Ag-based and non-Ag based biodiesel
- ◆ Approval of New Mexico, Connecticut and North Carolina's returns and schedules

Full Committee Approved Product Codes

061 – Natural Gasoline
170 – Undyed Bio Diesel (rollup code)
171 – Dyed Bio Diesel (rollup code)

Communication and Coordination Subcommittee

The Communication and Coordination Subcommittee Bob Crawford (Maryland) reported that sixteen (16) were in attendance. The subcommittee discussed the following and the January 2005 *Uniformer* was passed out. The deadline to submit articles for the next *Uniformer* is May 20, 2005.

- ◆ Monitoring the Federal Energy Bill
- ◆ Bio-Diesel White Paper and Model Legislation
- ◆ Definitions discussed

Minutes, Motor Fuel Uniformity Savannah, GA Mtg., January 29, 2005.

Racing Fuel
Carrier
Distributor
Revocation
Dyed Kerosene

- ◆ Review of 11-Point Plan and update of brochure
- ◆ Report of accomplishments of the FTA Uniformity Committee was postponed until the Batelle study is completed.

FHwA Update No report was given.

**Canadian
Fuel Tax Council (FTC)
Update
Charles Greenough**

The Fuel Tax Council has seen some changes since my last report in September of 2004. First, you will notice that the Council is now referred to as the "Fuel Tax Council" (FTC). New projects include training in return preparation and desk audit is underway, and discussions with the Canadian Class I Railroad Companies to negotiate an allocation agreement for the distribution of fuel tax that will include all provinces and territories, which tax railroad use, in Canada. We are continuing to develop the Comprehensive Fuel Reporting model and work with our American counterparts on the Northeast Task Force. MOU's are constantly being developed; province-to-province, state-to-province and federal-to-province.

Comprehensive Fuel Reporting
At the Steering Committee meeting last October in Saint

John's Newfoundland, the committee agreed to proceed with the Comprehensive Fuel Reporting (CFR), project and pilots. However, pilots would be planned to be completed on six-month time periods that would coincide with Steering Committee meetings.

The projects would follow the distribution chain, and track the product from the refinery, through the system, until the product is sold to end users, as a taxable sale, or dyed and sold tax exempt.

For the first pilots the testing will be done in Eastern Canada. Suncor and Ontario will pilot the electronic filing of refinery reporting this summer and report back to the next Steering Committee meeting in Halifax, November 2005. Ultramar, Quebec, New Brunswick, and Ontario will design and pilot the matching of export/imports and refinery to marketing.

Following the export/import testing, the next pilot will include the electronic reconciliation of collector exchanges.

Returns/Desk Audit Training

Two years ago the FTC developed training materials, and Ken Duggan delivered the first "Canadian" fuel tax training session. It was determined at that time that there was a requirement for a course that would provide instruction in the completion and review of fuel tax returns. A sub-committee of government and industry have been reviewing course stakeholder requirements and a

draft version of the training materials is being developed. The draft will be circulated to the Steering Committee by the fall, with the first pilot of the course planned for next winter.

Import Export Task Force

The Eastern Provinces and the North-Eastern States continue to collaborate on the Task Force. The task force is developing a plan to consider complete tracking and monitoring of fuel movement by pipeline, barge, rail, vessel, and road. The task force will look at who, what, where from, where to, and when by the various modes of transportation. The FTC is surveying industry and compiling statistics to ascertain the quantities of fuel transported by the various modes in Canada. A report is planned for the next Steering Committee Meeting.

Railroad Allocation

In Canada, fuel consumed for railroad use is taxed by the Federal Government, and similar to IFTA, is subject to varying rates by most of the jurisdictions. The current railway agreement, based upon engineering modelling, has been in place since the mid eighties. It provides a formal method for the distribution of fuel tax amongst the provinces.

Taxes are allocated based a prorating of the percentage of Gross Tonne Miles within a jurisdiction multiplied by a consumption factor. Gross tonne miles is a universal railroad performance measurement, it is the distance traveled times the weight of the train. The

consumption factor is calculated using high-level statistics, linear programming, and engineering modelling. The model is comprehensive, and auditor staff's lack of knowledge in linear programming and engineering make the model impossible to audit.

The sub-committee began negotiations with the railroads in the late winter of this year. Items being discussed include common railroad return, e-filing of railroad returns and payment, common fuel type across jurisdictions, and an allocation method that can be audited by persons with auditing background, instead of a complicated engineering model. This project will take the next couple of years to complete.

IRS Update

This report was given Friday in the Electronic Commerce Subcommittee. Rich Little (IRS) gave an overview of tax implications from American Jobs Creation Act, passed in October 2004. The Notice 2004-2005 Fuel Tax Guidance was issued, but still requires regulations.

Old/New Business

Pat Platt welcomed Kelly Gibson with ExxonMobil as the new Industry Co-Chair for Communication and Coordination. Pat thanked Jan Zahn with ExxonMobil for everything she has done for Uniformity.

Neil Baskin mentioned that the IRS has posted the 637 list out on their website. He also discussed the new regulations on ethanol

producers and how they will be filing to the IRS.

Herman Wisneski mentioned that he was going to be looking at every States forms to see if they are uniform. There was also a discussion on the import schedules.

Cindy mentioned that all information and minutes would be posted on FTA's Web site. She also requested that all subcommittees have their minutes from this meeting and agendas for June 2005 submitted to her no later than February 18. Pat Platt would also like the Project Tracking Forms by February 18.

Upcoming Meetings 2005

Southern Region Meeting
June 19-21, 2005
Tampa, Florida

Midwestern Region Meeting
July 18-19, 2005
Topeka, Kansas

Basic Training
August 7-10, 2005
Kansas City, Missouri

Investigation Course
August 14-17, 2005
Columbus, Ohio

ExTOLE Training
August 29-30, 2005
August 31-September 1, 2005

Uniformity Meeting
September 23-24, 2005
Omaha, Nebraska

Annual Meeting
September 25-28, 2005
Omaha, Nebraska

Advanced Training
October 16-20, 2005
Portsmouth, Virginia

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