

The Uniformer

MESSAGE FROM THE NATIONAL CHAIR SCOTT BRYER

Welcome to 2015 and my first message as the Chairman. Thank you for the opportunity to serve in this capacity. Also, please help me welcome our new Vice Chair John Manning of Utah. We look forward to working with you this year.

I think this year will be very interesting given the current prices of gasoline and diesel; nationally we are seeing some of the lowest fuel prices in several years. The major reasons the media cites for the low fuel prices are: demand has slowed in Europe and Asia due to their economies, the U.S. has increased supply as a result of shale oil and gas via hydraulic fracturing and horizontal drilling, and Saudi Arabia is maintaining its output.

Over the past decade revenue from motor fuel taxes have decreased primarily as a result of smaller and more fuel efficient motor vehicles. Will the significant decline in fuel prices result in an increase in fuel tax revenue? New Hampshire has seen a slight increase in fuel tax revenue during 2014, which more than likely can be attributed to increased sales in motor fuel due to the falling prices. As prices decline it appears that consumer discretionary travel will increase locally and I assume nationally. So this brings up some questions that need to be evaluated going forward. Are lower fuel prices here for the long term or is this just a short-term phenomenon? If

these prices remain low, how will this affect the growth in motor vehicle alternative fuels use? Will this result in petroleum based fuel taxes continuing to be the best revenue source for the States' transportation infrastructure needs? We will need to monitor these questions in the upcoming year. Even with the price of traditional fossil fuels decreasing, we still need to address taxation issues associated with alternative fuels as its availability to the public consumer increases every year.

Please feel free to contact me with your thoughts and suggestions. My contact information follows:
Scott.Bryer@dos.nh.gov
(603) 223-8081

MESSAGE FROM THE UNIFORMITY COMMITTEE STATE CO-CHAIR LEE GONZALEZ

It is hard to believe another year has come and gone and 2015 is upon us. As I look back on 2014, I believe the Uniformity Committee did an outstanding job promoting projects that reduced evasion and improved compliance. In addition, I believe the committee created an environment that allowed for open and honest communication between taxing jurisdictions and industry. These accomplishments are a testament to the hard work and dedication of the sub-committee chairs and its members.

As we move forward into the New Year, I foresee opportunities and challenges the Uniformity Committee must face that are

specific to fuel tax administration. My primary goal is to identify, discuss, and present solutions to these issues that are beneficial to both industry and taxing jurisdictions.

One of the opportunities or challenges that I think the Uniformity Committee will face in 2015 pertains to domestic oil and natural gas production in the United States. There are many who believe the United States is now the top producer of natural gas and refined petroleum products in the World. In addition, there is a growing number who believe the United States will become the leading producer of crude oil in 2015.

With this increase in domestic production, you can expect lower fuel prices, higher consumption, and increased tax revenue. Although an increase in production provides an opportunity for many in the fuel industry, it will present additional challenges for tax administration.

For example,

- Will states see an increase in tax exempt exports to other counties? Do they have the tools in place to measure what is consumed versus what is exported out of state?
- Do states have the tools necessary to monitor and assess tax on larger quantities of natural gas sold for use in a motor vehicle? How will they distinguish natural gas consumed in a vehicle versus other means of

consumption such as natural gas used in the production of electricity?

- Do states have comprehensive and reasonable audit processes in place that allow them to track an increased number of fuel transactions.

A second opportunity or challenge I would like to address in 2015 is state participation. Over the past few years, I have witnessed fewer states participating in the decision making process regarding fuel tax administration. It is critical for all states to have a voice when discussing uniform policies and procedures.

My goal for 2015 is to improve the quality of the Uniformity experience. In order to accomplish this goal, I will bring in more guest speakers with relevant information to the Saturday morning meetings. In addition, I will challenge our sub-committee chairs to promote in depth group discussions on current topics pertaining to fuel tax administration.

As state chair of the Uniformity Committee, I relish the opportunity to address these and other pertinent issues. I will ask each member to think outside of the box and consider promoting different perspectives.

Overall, I expect 2015 to be a great year with many new and exciting ideas originating from Uniformity. I look forward to working with my fellow committee

members to make 2015 the most productive year to date.

**MESSAGE FROM
CANADIAN FUEL TAX
COUNCIL (FTC)
RICK CALLAWAY**

Hope everyone had a great Holiday Season and start to 2015!

The FTC has progressed on a number of key strategic initiatives. These include:

- For the review underway to update the Generic Fuel Tax Return and Schedules (developed by the FTC and used by all jurisdictions), the desired additions, deletions, added schedule and new products to be reported have been identified with new forms under development.
- Standards for unverifiable losses of accountable products that occur in the distribution/marketing chain are being defined by Industry and Government to evaluate current allowances and administrative processes. Research is underway to identify where these losses are occurring.
- Best practices for providing updated and current Collectors' Lists on Government and FTC websites are being

defined using Ontario's model. The best practices will be presented in May for approval.

- The Licensing Review to develop improved practices for registering and licensing the different roles for reporting and remitting taxes is at the phase where the requirements by all Jurisdictions have been made available on the FTC website.
- The final paper for the Natural Gas project to develop a uniform tax model is being prepared. The model includes components such as the point of collection, registration requirements, units of measurement and reporting requirements, as well as, alternatives for establishing tax rates. The model will be presented in May for FTC approval and September for Senior Government Officials approval.
- Basic and Audit training courses were held for 70 students in late November in Ontario.

The next FTC meetings will be held in Toronto on May 5 and 6.

If you have any questions or need more information, please feel free to contact me at

rick.callaway@fueltaxcouncil.com
or call 1 (403) 471-7022.

UNIFORMITY COMMITTEE

Minutes

The FTA Motor Fuel Tax Section Uniformity Committee met at the Snow King Hotel, Jackson, Wyoming. Lee Gonzalez (FL) Uniformity State Chair called the meeting to order. Forty (40) were in attendance.

Minutes

The minutes of the May 2014 Uniformity Committee meeting in Portland, Oregon were approved.

Presentations:

A presentation was given by Amy Drewry with Louis Dreyfus on "Who is Responsible for Destination Sales Tax Exempt Documents".

A presentation was given by Steve Nutter (VA) entitled "Virginia Fuels Tax Transformation. This presentation explained their law for collecting sales tax on Motor Fuel and also explained the report that they use for remitting the sales tax collected on Motor Fuel.

SUBCOMMITTEE REPORTS

The Compliance Subcommittee

Marcia Leichner (NE) reported there were thirty-seven (37) in attendance. The committee discussed:

Training Schedule Update

- The Basic Training class was held in Kansas City, Missouri on July 27-31, 2014. There were 47 in attendance.

- The Advanced Training Class is currently scheduled for December 7-11, 2014 in San Diego, California.

Dyed Diesel Stats

The stats for the first two quarters of 2014 were handed out and discussed. Nebraska shared some general information about a recent case of a taxpayer refusing to be tested for dyed diesel.

Discussion

- State Compliance Updates: Nebraska shared that they had a taxpayer inquire about the proper way to bill motor fuel taxes when they blend ethanol and water.

- Texas CID cases: There was a general discussion regarding Texas's aggressive nature of investigating motor fuel cases.

- Emerging Alternative Fuels: There was a brief discussion regarding specific products mentioned on the "Alternative Fuels" website (<http://afdc.energy.gov/fuels/emerging.html>).

- LNG/CNG issues: Indiana shared that states should be aware of LNG being changed to CNG.

New Business

- Solicited projects for 2014/2015 It was suggested that this committee review the training manual to make sure all areas of risk are being covered by the training.
- Distributed four articles

1. US Navy to run seawater into jet fuel (April 10, 2014)

2. RFA Lauds Quad County Corn Processors at the Grand Opening of New Cellulosic Bolt on Facility (September 9, 2014)

3. Two Men Charged in Las Vegas in Biofuels scheme (January 16, 2014)

4. Feds order companies to notify state of oil by rail cargoes, recommend older cars be retired.

The Forms Management Subcommittee

Cindy Mongold (KS) reported that this committee met with Electronic Commerce. There were thirty-six (36) participated in the meeting. The subcommittee discussed:

Crosswalk (FTA and STCC Codes)

This project will be removed from the agenda at this time. If there is additional information at a later date it will be addressed at that time.

Ohio Forms Review

No update of the forms and instructions was received prior to the meeting. Review has been placed on hold at this time.

Washington Forms Review

The following Washington forms were received, voted on and approved by the full committee:

- Terminal Report & Schedules
- Supplier Tax Return & Schedules
- Distributor Tax Return
- Aircraft Return
- Blender Tax Return

Washington Schedule Request

Washington requested two schedules:

1. Determine biodiesel gallons rebranded to dyed.

Discussion resulted in:

Washington taking a look at the procedure for regarding the product with a Book Adjustment.

It this does not work for their situation then the committee will take another look at issuing a subschedule.

2. Gallons sold exempt to IFTA authorized carriers.

Washington will use subscheduled 6F

State ExSTARS Update

Kansas gave an update on tracking ExSTARS data.

Uniform Motor Fuel Sales Tax Form

The team presented a revised draft of the Uniform Motor Fuel Sales Tax form to the full committee. After discussion there were several suggestions made for changes:

1. Add \$ to Gross & Exempt columns and % to Sales tax rate column
2. Add date field to the signature line
3. Add Contact information, such as name, title, phone number
4. Prepared by line

The team will make the revisions and will be discussed at the next meeting in January 2015.

FTA Product Codes vs. ExSTARS Product Codes

It was brought to the attention of the committee that product codes recently issued by FTA were not being accepted in ExSTARS

reporting. The product codes in question were 313 Ultra Low Sulfur Diesel Undyed and 314 Ultra Low Sulfur Diesel dyed. These 2 product codes were issued in June 2012 along with 301 CBOB and 302 RBOB.

IRS contact presented the issue to ExSTARS representatives and it appears that ExSTARS is considering adding these 4 product codes to the reporting.

Industry Issues

1. Industry is currently struggling with the expanded California Oil Spill Prevention Fee. The previous law imposed the fee on crude oil and petroleum products that entered the state at a refinery or marine terminal by vessel. The revision to the law expanded the fee to include all modes of transportation over land or water. The bill was vaguely written by the Department of Fish and Wildlife and did not address the many details that the industry needs to fully understand and comply with the revised law. In addition, upon passage of the bill, industry was given 60 days to implement the new changes. The DOFW does not have the expertise to provide answers to our or the CA BOE questions on how to administer the details. There are still a lot of gray areas that industry will have to make assumptions on how to comply with the law rather than having concrete guidance. Neither the DOFW nor the BOE are interested in writing a set of statutes to address these questions.

2. Industry is continuing to wrestle with the use and

reporting of biodiesel blends as many states and the Federal government have varying requirements. We recently had a situation where a state is requiring a taxpayer to amend a large number of returns because they were reporting a B0-B5 product as clear diesel along with the ASTM standards. The state's position is that it should have been reported as a biodiesel code. There is no effect on the tax amount paid, as any blend is taxable as diesel fuel in this state.

Approved by the Full Committee

Washington Uniform Report Forms:

- Terminal Operator and Schedules
- Supplier Tax Return & Schedules
- Distributor Tax Return
- Aircraft Return
- Blender Tax Return

The Electronic Commerce Subcommittee

Hal Lovell (California) reported there were nine (9) (7 in person and 2 by phone) in attendance. The subcommittee discussed the following:

Oregon Implementation Guide and XML

The XML team is reviewing their schema request and hopes to have it completed by the January 2015 meeting.

Mississippi Implementation Guide and XML

The XML team is reviewing their schema request and hopes to

have it completed by the January 2015 meeting.

Creation of Form on Obtaining FTA Approval for Efile System

The committee approved the document, continue to work on a simple handout that will summarize the steps that a state should follow to get FTA’s approval for their E-file system (forms, E-file Guide, XML schema, etc)

New Item

E-Commerce group is looking to develop a new document on “best practices” for filing old amended returns when a state has upgraded their e-file platforms.

The Communication and Coordination Subcommittee

Christy Dixon (OK) reported that thirty-seven (37) were in attendance.

The subcommittee discussed the following and the September, 2014 *Uniformer* was distributed

2014 Taxation, Diversion and Alternative Fuels Booklet

The 2014 booklet was printed and put onto the CD. Both were available at the meeting. The subcommittee attendees were asked to think about any additional items for the 2015 booklet. A suggestion was made at the Uniformity meeting that we add a question asking what each state requires on invoices/bills of lading.

Definitions:

Fuel Grade Ethanol has been table until the next meeting in January 2015.

Electronic Filing is the secure transmission of machine-readable structured data between a filer and a government agency and the acknowledgement thereof. Electronic filing data may be exchanged in:

- a. Extensible markup language (XML)
- b. ASC X12 electronic data interchange
- c. Spreadsheet or structured text files

Buy/Sell Agreements and Flash Title Agreements

Another draft document was discussed; and after much discussion, the working group is going to make revisions to the document and present it at the next meeting in January 2015.

Alternative Fuel Definitions

The subcommittee will look at several definitions for alternative fuels in 2015

Native American Survey

The survey will need to be updated and printed in 2015.

Approved by the Full Committee

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Canadian Update

Report to be given at the Annual meeting

New Business

None

Next Meeting

The next Uniformity Committee meeting is scheduled for January 23-24, 2015 in Sacramento, CA

The meeting was adjourned.

SUBCOMMITTEE CHAIRS

Compliance Subcommittee

State Co-Chair

Marcia Leichner

Industry Co-Chair

Rae Taki – Shell Oil

Communication and Coordination Subcommittee

State Co-Chair

Christy Dixon – State of Oklahoma

Industry Co-Chair

Anne Nicholson, Exxon Mobil

Electronic Commerce Subcommittee

State Co-Chair

Hal Lovell – State of California

Industry Co-Chair

Gene Holland, P66

**Forms Management
Subcommittee**

State Co-Chair

Cindy Mongold – State of Kansas

Industry Co-Chair

Scott Louie – Chevron

**FTA MOTOR FUEL TRAINING
SCHEDULE**

None has been scheduled for 2015 at this time.

UPCOMING MEETINGS 2015

Pacific Region

April 26-28, 2015

Portland, Oregon

Uniformity Meeting

June 12-13, 2015

Portsmouth, Virginia

Northeastern Region

May 2015

Niagara Falls, New York

Southern Region

June 21-23, 2015

Gulf Port, Mississippi

Midwestern Region

July 7-9, 2015

Sioux Falls, South Dakota

Uniformity Meeting

September 18-19, 2015

Chattanooga, Tennessee

Motor Fuel Annual Meeting

September 20-23, 2015

Chattanooga, Tennessee

**MOTOR FUEL STEERING
COMMITTEE MEMBERS**

National Chair

Scott Bryer

State New Hampshire

National Vice Chair

John Manning

State of Utah

Past Chairs

Jim Oliver

State of Kentucky

Edie Martin

State of Kansas

State Uniformity Chair

Lee Gonzalez

State of Florida

Industry Uniformity Chair

Vacant

**MOTOR FUEL REGIONAL
GOVERNORS**

Midwestern Region

Peggy Laurenz

State of South Dakota

Northeastern Region

Brian Galarneau

State of New York

Pacific Region

Dawn Lietz

State of Nevada

Southern Region

Glenn Boyette

State of Mississippi

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