

The Uniformer

MESSAGE FROM THE NATIONAL CHAIR DAWN LIETZ

Greetings! It seems like only a few weeks have past by since my last article. Perhaps, it is because we are already in the midst of the Regional Meetings and all the preparation/travel that goes into them keeps me too busy to track the days. Whatever the reason, I am grateful to have the opportunity to serve each of you.

Nevada continues to show signs of slow economic recovery. We are seeing signs of improvement in sales tax, gaming revenues, tourism, and even population growth. However, fuel tax collections are continuing to show steady declines. Unemployment in our state is still at record high numbers and the experts say if you count the numbers of those who have given up on looking for work or are working in other states while leaving their families behind, the number is well above 25%. That factor makes it difficult for Nevada to get back on the road to complete economic recovery. The reality is, it will likely take us between 6-10 more years to regain all that was lost in the Construction Industry alone.

Fortunately, I was granted permission to attend all of the Regional and Uniformity Meetings in person. The only Regional meeting I will miss is the Mid-West and it is only because my daughter is getting married in PA that same week. I trust that each of the Regional Meetings will provide opportunities for you to

network with your colleagues and reveal how you can help FTA Motor Fuels Section continue to move forward. Even if you are unable to travel, you can still make a difference by assisting one of the four Uniformity Sub Committees. While attendance at the Uniformity meetings is always preferred, we understand that travel restrictions and budget cuts changed the priorities of many States and money is no longer available. Keep in mind that the Sub-Committees also meet via teleconference and exchange ideas via email and other technology, so there are other ways you can help.

Enjoy your summer! Stay cool, stay safe, and stay alert!

Please feel free to contact me at any time if there is anything you would like the Motor Fuel Tax Section to consider as we move ahead. I can be reached at dlietz@dmv.nv.gov or (775) 684-4626. Thank you and I hope to see you at one of the FTA events during 2012.

MESSAGE FROM THE UNIFORMITY COMMITTEE STATE CO-CHAIR JEREMY NEECK

Fueling the future

On May 10th, 2012 I attended a Natural Gas Summit at Kwik Trip Stores in La Crosse, Wisconsin where it was the first station in the United States to offer CNG, LNG, LPG, E85, Premium Diesel, #2 Diesel, B5 Blend, B20 Blend and Dyed Diesel at a retail location. This station is open to

the public and is working in conjunction to their fleet fueling station. They also plan on expanding this concept to an additional 5 locations. They reviewed the workings of these alternative products, had displays of all the different types of vehicles that can use these products and demonstrated that with the low cost of these natural gas products, a company can quickly recover the additional expenditure of purchasing these alternative powered vehicles. Based upon the data that was shown at the summit, these vehicles get similar fuel economy and have equivalent power to conventional engines, but at a fraction of the fuel costs. On that particular day, #2 road diesel was selling at \$3.99 per gallon, CNG was \$1.59 per GGE and LNG was \$2.69 per GGE. It was particularly funny when someone stood up in the crowd and asked the question, if this product is so abundant and cheap, won't the IRS and State Governments want to start taxing the products? To his disbelief these prices included both state and federal taxes. After attending this summit and talking to the many vendors that were there with their booths, it made me think how big this could really get if a vast enough network of fueling stations come about and offer these types of products to the public. It also made me think after they said how many refuse trucks and ready mix trucks have already been sold and operating if there is a tax gap and states need to look real close to see if they are missing out on much needed tax dollars to maintain their highway infrastructure? After talking to one

company, I know our state has some serious homework and research to complete! Times are changing and the days of only using conventional petroleum products to fuel our vehicles could soon become a thing of the past. As a group through Uniformity we need to look at best practices to ensure all states are collecting the tax dollars for the use of our roads from these alternative sources and make sure we educated not only the tax collectors, distributors of the products but the public that uses these products as well.

**MESSAGE FROM THE
UNIFORMITY COMMITTEE
INDUSTRY CO-CHAIR
BOB DONNELLAN**

Now with the new product code issue basically at rest we can focus our attention on the feasibility of using the EIA product code classification. After numerous debates back in January in Portsmouth I do believe at this point we have exhausted the entire committees with the creating of new product codes to the point that we all feel we are wasting our time. So now we begin the process of comparing the EIA set of product codes and try and determine if we can make them work. I know we have a lot of hard work moving forward but I believe with the dedication we have within our sub committees we can and we will make this work seamlessly.

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

The Fuel Tax Council (FTC) held its latest semi-annual meetings in Quebec City, Quebec on May 15 and 16, 2012. A new meeting format was successfully implemented in Quebec City designed to facilitate more participation and reduce the need to report decisions and progress to multiple Committees.

The next meetings will be in Winnipeg, Manitoba on October 23 and 24, 2012.

The FTC has a number of priorities and projects underway. Since January, the focus has been in the areas of developing a Systems Information Binder (SIB); improving communications, enhancing reporting and compliance standards; reviewing the FTC's operations, funding and industry participation, as well as, commencing a project on Alternative Fuels.

The SIB will document a collector's systems in a standard format to reduce effort and increase accuracy during the course of a fuel tax audit. The Project Team presented its key deliverables at the Quebec City meetings for approval and direction. The Table of Contents, defining the scope and format for the information required, and the governance process was approved. Direction and commitment were provided on increasing the participation of Industry and the steps needed to

commence drafting the first Binder were discussed.

The FTC took steps to increase communication and information sharing over the last several months. This has included improving the information available on and format of the website. The website will also be improved to provide support for project and workload management to assist in adopting new processes for assigning resources and monitoring the progress of work against plans.

Standards managed by the FTC in a number of key areas were developed or completed. These standards are for exchanging export and import information, electronic reporting, transactional reporting, enforcement and audit practices, as well as, strategic planning.

Improving FTC's operations, industry participation and work assignment were discussed in Quebec City. These will be part of the Annual Report presented in June at the Senior Revenue Officials meeting. This group has a Sponsorship relationship with the FTC

A new project was approved for the FTC to prepare a report with recommendations on Alternative Fuels and their potential impacts on fuel tax administration and revenues in Canada. This report will be presented at the Inter-Provincial and Territorial Tax Conference in September 2012. The FTC has already started to seek assistance from the FTA on this project. Cindy attended the Quebec City meetings and has

been a valuable source of advice and support in this and many other areas.

I look forward to providing more details or background on FTC's work and priorities in June in San Antonio.

If you have any questions or need more information before then, please feel free to contact me at rick.callaway@fueltaxcouncil.com or call (403) 471-7022.

UNIFORMITY COMMITTEE **Minutes**

The FTA Motor Fuel Tax Section Uniformity Committee met at the Renaissance, Portsmouth, Virginia on January 28, 2012. Jeremy Neeck (MN) Uniformity State Chair called the meeting to order. Thirty-four (34) were in attendance.

Minutes

The minutes of the September 2011 Uniformity Committee in Charleston, West Virginia was approved.

Presentation

The Mission Statement and Goals of the Uniformity Committee were discussed. No changes were recommended.

SUBCOMMITTEE REPORTS

The **Compliance Subcommittee** Cindy Mongold (KS) reported there were twenty-two (22) in attendance. The Committee discussed:

Training Schedule for 2012 – FTA is starting the planning on

training for 2012. Watch for announcements.

Dyed Diesel Stats – The dyed fuel stats are in the process of completing the 2011 report. Vehicle type and industry will be added starting with the 2012 reports. North Dakota currently started a dyed fuel program with the assistance of Minnesota.

Old Projects

Sale of “off spec” military fuel – additional research will be performed as a follow-up to previous years research.

Airport “stale” fuel issued and taxation and sale of “off spec” military fuel – It was reported that off spec fuel could be mixed with fresh fuel and if the product can be brought back to spec then it is used as originally intended. If restored back to spec then the fuel is used in generators or other non-critical equipment.

Blending of E8 and non-oxy gas to make E10 – the committee discussed the issues that some states are having with blender pumps and that station owners are using E85 as a blending agent to get unique fuel blends instead of straight ethanol.

IRS laws on fuel used in Motorboats – more discussion about the use of fuel in motorboats.

New Projects

Open discussion on:

- Taxing/fee on electric vehicles.
- Testing for sulfur content
- Fake receipts for refunds

The Forms Management Subcommittee

Lee Gonzalez (Florida) reported that this committee met with Electronic Commerce. There were thirty-four (34) in attendance with three (2) by phone. The subcommittee discussed:

Crosswalk (FTA and STCC Codes) – The committee reached out to the National Railroad Association to ask for assistance defining product codes and matching STCC to FTA codes.

Methods for Reporting Renewable Fuels – the survey that was sent out to the industry representatives and the result are:

Option 1 – 16 digit smart code
Option 2 – EIA Codes
Option 3 – Hybrid of EIA code
Option 4 – Other

Terminal Operator (Gross Gallons) – Survey results are:
1) Some states currently require gross gallons on the schedule of receipts
2) Current XML and EDI schema currently allow for gross gallons
3) Industry (terminal operators) captures gross gallons for truck and rail deliveries

Alabama Forms Review – The forms team reviewed the forms and identified several issues that were not uniform. Response was sent to Alabama outlining the issues.

Schedule Code Project – The forms team will be survey states to find out which schedule codes they are currently using.

Product Codes Request – Nebraska requested product code 2T – Gallons received from producers tax unpaid and placed into taxed free inventory.

Approved by the Full Committee

“To add a column to the operator receipt schedule that includes gross gallons. Verbiage will be added to the instructions on how to report gross gallons”

The Electronic Commerce Subcommittee

Hal Lovell (California) reported there were ten (10) in attendance with one (1) by phone. The subcommittee discussed the following:

Impact of product code issues on EDI – Future discussion on the “new” product code schemes.

XML Update – It was reported this would be an on going project. The committee will continue to monitor the progress of the guide.

Foreign diplomat reporting with PID number – The committee discussed how a state tax system can capture a PID number for consulate sales on 10B and 13D in the buyer field.

Ending Inventory by Position Holder in Terminal – The committee discussed that we have one state reporting the Position Holder receipts in a terminal and also capturing the ending inventory by position holder in the terminal.

Diversion number for X12 It was discussed how states will report a diversion number in the X12 map.

Mexico exports – The XML schema (Postal Table) does not allow a Mexican state to be reported for a fuel movement out of Mexico in the US.

Import/Export Data Exchange – The committee has discussed a need for more uniformed data from the other states that share data. The goal is to provide a “uniformed” sample that will encompass the most common fields being reported between states.

ExSTARS data review analysis – Majority of the files continue to be 826’s (826 files must be handled according to the IRS confidentiality rules)

The Communication and Coordination Subcommittee
Christy Dixon (OK) reported that twenty-two (22) were in attendance. The subcommittee discussed the following and the January Uniformer distributed.

MOU – The MOU for the Motor Fuels agencies that administer Motor Fuel that are not Revenue Agencies has been completed and will be distribute to the non revenue agencies for signature.

Buy/Sell Agreement – The draft language for Buy-Sell Agreements and Renewable fuels and a diagram will be discussed next meeting in Texas.

Definition for Liquefied Natural Gas (LNG) – Next meeting all States present will bring copies of their definition for the committee to review.

Bill of Lading project – this project has been tabled.

ExTOLE – Since the IRS has shut down this system, the committee feels a white paper on this system should be placed in the Uniformity Booklet for history purposes.

Import/Export information A discussion on how the States are going to share the import/export information electronic now that ExTOLE system has been shut down.

Approved by the Full Committee

Add the “ExTOLE white paper” to the history portion of the Uniformity Booklet.

New Business

IRS Update – With the budget, the IRS offered a buy out and the Excise area lost a lot of people.

Legislation – all alternative fuel credits have expired; there has been an extension of the FAA and Highway bill. Tar sands oil is subject to Federal Tax.

ExSTARS Update – 1268 terminal, 138 carriers, 6 transmitters are filing into ExSTARS.

Book adjustments – The IRS has put restrictions on the book adjustments in ExSTARS.

Supplemental returns – What the IRS is seeing, companies file

a placeholder return and later file a total replacement that isn't even close to the first return.

ExTOLE – the plug was pulled on this system. The IRS couldn't justify spending the money to upgrade this system to the new security.

JOC – Remote access to the JOC has now been approved so States can participate without traveling to Crystal City to view the information.

Canadian Update – The Canadian Fuel Tax Council has put together a System binder along with an enforcement binder to assist in determining evasion. The Council is also looking at inventory losses along with their by laws to see if they can allow more participation. The training classes have been scheduled for 2012-2013.

Next Meeting

The next Uniformity Committee meeting is scheduled for June 1-2, San Antonio.

FTA Motor Fuel Tax Training Courses

Basic Training Course is scheduled for July 29-August 2, 2012 in Minneapolis, MN.

Advanced Training Course is scheduled for November 25-29 in Savannah GA

For more information on the classes please visit FTA's website at www.taxadmin.org

UPCOMING MEETINGS 2012

Southern Region

June 10-12, 2012
New Orleans, Louisiana

Basic Training course

July 29-August 2, 2012
Minneapolis, Minnesota

Midwestern Region

August 7-9, 2012
Grand Rapids, Michigan

Uniformity Meeting

October 26-27, 2012
Providence, Rhode Island

Motor Fuel Annual Meeting

October 28-31, 2012
Providence, Rhode Island

Advanced Training Course

November 25-29, 2012
Savannah, Georgia

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