

*The International Fuel Tax
Agreement (IFTA)
An Informational Guide
for Michigan Taxpayers*



October 2015

TABLE OF CONTENTS

Introduction.....	1
Definitions.....	1
IFTA Licensing.....	2
IFTA Account Number.....	2
License Applications.....	2
IFTA Credentials.....	3
Replacement Decals.....	3
Grace Period.....	3
License Cancellation.....	3
License Revocation.....	3
License Reinstatement.....	3
Bonding.....	4
Temporary Permits.....	4
Trip Permits.....	4
IFTA Tax Returns.....	4
IFTA E-File.....	4
Lease Agreements.....	5
Record Keeping.....	5
Mileage Records.....	5
Trip Reports.....	5
Fuel Purchase Records.....	5
Bulk Storage.....	5
Retail Purchases of Motor Fuel.....	6
Electronic Recordkeeping.....	6
Regulated Fuel Types.....	6
Dyed Diesel Fuel.....	6
Exempt Vehicles.....	6
Buses.....	7
Audits.....	7
Bankruptcy.....	7
Payments, Refunds and Appeal Rights.....	7
Payment of Tax.....	7
Late Payment Penalty and Interest.....	7
Assessments.....	7
Credits and Refunds.....	8
Appeal Rights.....	8
Resources.....	8

Introduction

Michigan is a member of the International Fuel Tax Agreement (IFTA). All 48 states in the continental United States as well as most Canadian Provinces are also participating members of the IFTA.

Membership in the IFTA is a benefit to both the interstate motor carrier and the participating jurisdictions. The primary advantage for both the carriers and the jurisdictions is that the carriers license and file tax returns only in the base jurisdiction only. Mileage and fuel purchases from all jurisdictions are reported on one return and the base jurisdiction is responsible for paying the other jurisdictions on the carrier's behalf.

The IFTA is administered primarily through the IFTA governing documents. These include the Articles of Agreement, the Procedures Manual and the Audit Manual. In addition, the IFTA carrier may be subject to Michigan statute including the Motor Carrier Fuel Tax Act (PA 119 of 1980), the Motor Fuel Tax Act (PA 403 of 2000) and the Revenue Act (PA 122 of 1941).

Definitions

Audit means the physical examination of a licensee's records and source documents to determine the accuracy of the reported information on the licensee's tax returns.

Base Jurisdiction means the member jurisdiction where qualified motor vehicles are based for vehicle registration purposes, and

1. where the operational control and operational records of the licensee's qualified motor vehicles are maintained or can be made available, and;
2. where some travel is accrued by qualified motor vehicles within the fleet. The commissioners of two or more affected jurisdictions may allow a person to consolidate several fleets that would otherwise be based in two or more jurisdictions.

Cancellation means the termination of an IFTA license by either the licensing jurisdiction or the licensee.

Fleet means one or more vehicles.

In-Jurisdiction Distance means the total number of miles or kilometers operated by a licensee's qualified motor vehicles within a jurisdiction, including miles/kilometers operated under an IFTA temporary permit. In-jurisdiction distance does not include miles/kilometers operated on a fuel tax trip permit or exempted from fuel taxation by a jurisdiction.

Jurisdiction means a state of the United States of America, the District of Columbia, a province or territory of Canada, or a state of the United Mexican States.

Lessee means the party acquiring the use of equipment with or without a driver from another.

Lessor means the party granting the use of equipment with or without a driver to another.

Licensee means a person who holds a valid IFTA license issued by the base jurisdiction.

Motor Fuel means all fuel placed in the fuel supply tank of qualified motor vehicles.

Qualified Motor Vehicles means a motor vehicle used, designed, or maintained for transportation of persons or property and:

- 1) Having two or more axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
- 2) Having three or more axles regardless of weight; or
- 3) Is used in combination, when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle or registered gross vehicle weight. **Qualified motor vehicles do not include recreational vehicles.**

Recreational Vehicle means a vehicle used for personal pleasure and not used in connection with any business endeavor.

Revocation means withdrawal of the license and privileges by the licensing jurisdiction.

Total Distance means all miles or kilometers traveled during the tax reporting period by every qualified vehicle in the licensee's fleet, regardless

of whether the miles or kilometers are considered taxable or non-taxable by a jurisdiction.

IFTA Licensing

Anyone operating qualified motor vehicles interstate must have valid IFTA credentials. IFTA credentials consist of a license (cab card) and decal set for each qualified motor vehicle. IFTA credentials are valid from January 1 – December 31 and must be renewed annually.

IFTA Account Number

The IFTA Articles of Agreement require the IFTA account number to be either a federal Employer Identification Number (EIN) or the social security number of the owner. EINs are available online to all carriers. Visit the IRS Web site at www.irs.gov/businesses and click on Employer ID Numbers. Michigan encourages all carriers to apply for an EIN to help prevent identity theft.

License Applications

A Michigan interstate motor carrier must complete an application each year to receive the current license and decals. First time licensees or licensees who were not licensed for IFTA fuel taxes in the previous quarter must complete a *Michigan IFTA Fuel Tax License Application* (Form 2823).

Complete sections 14 and 15 to the best of your knowledge. This information will be used to populate your pre-identified quarterly IFTA fuel tax returns.

Applications will not be processed if sections 22a and 22b are incomplete. Additional sheets should be attached if necessary.

Motor carriers who had a Michigan IFTA license in the previous year will be mailed a *Renewal Application for Michigan IFTA Fuel Tax License* (Form 3014). The renewal applications are mailed around the middle of October each year. Motor carriers are encouraged to complete this application as soon as possible to ensure that they have their license and decal sets before the new license year begins. ***Renewal applications will not be processed if the applicant has delinquent IFTA returns.***

Incomplete applications may result in delays in excess of thirty days or denial of the applicant's IFTA license.

IFTA Credentials

IFTA credentials consist of a license (cab card) and one set of decals for each qualifying vehicle. One license is issued to each motor carrier and it is the responsibility of the carrier to make a copy for each qualified vehicle operating interstate.

Decals must be affixed to the exterior of both sides of the cab. In the case of transporters, manufacturers, dealers or drive-away operations, the decals need not be permanently affixed but may be temporarily displayed in a visible manner on both sides of the cab.

Qualified motor vehicles operated by more than one IFTA licensee during the license year must display IFTA decals for each active licensee concurrently.

Michigan does not charge a fee for the IFTA license or decals, however motor carriers are encouraged to order only the number of decal sets they will need.

In the event of an audit, a satisfactory accounting must be provided for all decals issued to a motor carrier.

Replacement Decals

Replacement decals are available free of charge if the original decals are lost, destroyed, undelivered or stolen. Replacement decals must also be requested if a vehicle is sold and a new vehicle is purchased.

Carriers should complete an *Application for Replacement Claiming Lost, Destroyed, Undelivered or Stolen State of Michigan IFTA Fuel Decal(s)* (Form 2824).

Grace Period

Carriers renewing their IFTA license and decals have a two month grace period (January and February) to display the renewal license and decals. During this grace period, carriers must display either valid current or prior year decals. All activity during the grace period must be reported on the first quarter IFTA return.

Canceling an IFTA License

If a motor carrier ceases operating qualified motor vehicles interstate, the IFTA license must be canceled. Carriers should complete an *IFTA Cancellation of Account (Form 4460)*. IFTA credentials are non-transferrable and IFTA carriers must destroy the original license, all copies of the license and all decals.

IFTA returns must be filed through the date of cancellation of the account, even if there is no activity. If returns are not filed for all periods for which the carrier is licensed, estimated assessments will be issued.

License Revocation

An IFTA motor carrier license may be revoked for failure to file returns and/or make full payment of the tax due. Before a license is revoked, the Michigan Department of Treasury (Department) will schedule a show cause hearing. The carrier will be notified by certified mail of the date, time and place of the hearing. If the carrier fails to appear at the hearing, the carrier's IFTA license will be immediately revoked.

Once an IFTA license is revoked, the motor carrier or the motor carrier's representative may not operate qualified motor vehicles in any IFTA jurisdiction. The Michigan State Police, Traffic Safety Division and all IFTA jurisdictions are notified of the revocation.

License Reinstatement

Once an IFTA license is revoked, the motor carrier has to comply with certain conditions to obtain a reinstatement. If the license is reinstated, the motor carrier will receive a written notice. A copy of this notice must be carried in the cab of each qualified motor vehicle as proof of the reinstatement. The Department notifies the Michigan State Police, Traffic Safety Division and all other IFTA jurisdictions of the reinstatement but it may take several days for the information to reach roadside enforcement personnel. Carrying proof of the reinstatement in each vehicle will avoid having a vehicle taken out of service unnecessarily.

In addition to the proof of reinstatement, the motor carrier will receive a letter outlining the continuing requirements of the motor carrier. If these requirements are not met, the carrier's IFTA license will be immediately revoked without benefit of a show cause hearing.

The Department is under no obligation to reinstate the IFTA license of a motor carrier who continues to violate the statute. A motor carrier revoked by one IFTA jurisdiction cannot be licensed by another jurisdiction.

Bonding

A bond may be required as a condition of licensing or reinstatement. Late filing of returns, late payment of tax, penalty and interest or failure to demonstrate sound financial standing are some examples of situations in which a bond may be required.

The bond may be in the form of a surety bond, cash bond or other instrument approved by the Department. Carriers required to post a bond will be notified of that requirement in writing.

Temporary Permits

Temporary permits are issued in lieu of IFTA decals to allow a licensed motor carrier to operate a qualified motor vehicle until the permanent decal is received. Temporary permits are valid for 30 days and they are vehicle specific. The permit must be carried in the vehicle listed on the permit. There is no charge for a temporary permit.

A licensed motor carrier requesting a temporary permit must complete form 2873, *Michigan Temporary IFTA Permit*. An IFTA application (Form 2823) or a Replacement Application (Form 2824) must accompany the application for a temporary permit.

Trip Permits

Trip permits are issued in lieu of IFTA licensing to those carriers who do not regularly travel interstate. When operating under a trip permit the vehicular activity is not reported on an IFTA return. The fee for a Michigan trip permit is \$20 plus any fees assessed by the permitting service.

A Michigan trip permit is vehicle specific and is valid for five consecutive days. Michigan trip permits are limited to three per calendar year. Carriers making more than three trips per year must obtain an IFTA license.

An unlicensed carrier traveling interstate must obtain a trip permit for each jurisdiction into which they intend to travel. Trip permit requirements and costs vary from jurisdiction to jurisdiction. Contact information for each jurisdiction can be obtained at the IFTA, Inc. Web site at www.iftach.org.

IFTA Tax Returns

IFTA tax returns are due quarterly on April 30, July 31, October 31 and January 31 each year. If the due date falls on a weekend or holiday the return is due on the next business day. IFTA licensees must file a return even if there was no activity during the quarter. **Carriers who file no activity returns or who do not travel outside Michigan for three consecutive quarters may be discontinued.**

All licensees will receive a pre-identified IFTA return (IFTA-100) and schedules (IFTA-101) each quarter. The returns are pre-populated with the carrier's name, account number, the return period and the jurisdictions where the carrier has indicated he intends to travel. Also included are the tax rate charts for the quarter. **Tax rates change quarterly so it is imperative that the correct rate chart is used.**

IFTA E-File

Michigan requires electronic return filing for IFTA carriers. Filing electronically allows the carrier to submit a return where the calculations are error free. The return filing program is a free, secure service that does not require new computer software. Carriers may also make payments of any tax due electronically. Visit the Treasury Web site at <http://www.michigan.gov/ifta> to obtain additional information on electronic filing.

Visit the Treasury Web site at www.michigan.gov/iftaefile to register for IFTA e-file or to obtain additional information on electronic filing.

Lease Agreements

Carriers who enter into a lease agreement should ensure that the agreement specifies the party who is responsible for obtaining the IFTA license and filing the IFTA fuel tax returns. **If the lease agreement does not identify the party responsible for filing the IFTA returns, both parties may be held jointly and severally liable for the IFTA taxes.**

Licensed IFTA carriers involved in a lease agreement are required to discontinue their own IFTA license or file an IFTA return. In either case, a complete copy of the lease agreement should accompany the request for discontinuance or the no activity return.

Record Keeping

Accurate records of mileage and fuel purchases for each licensed IFTA vehicle is required to properly prepare the quarterly IFTA returns. Records must be kept for each member jurisdiction through which the carrier travels.

Records must be kept for a minimum of four years from the due date of the returns or the date the return was filed, whichever is later. Records may be maintained on paper, microfilm, microfiche, digital imaging or other means of storage which has been approved, in writing, by the Department.

Operational records must be maintained in the carrier's base jurisdiction. If the records are not maintained in the base jurisdiction, the carrier may be responsible for expenses, in the event of an audit, if the auditors must travel to a location outside of the base jurisdiction to review the records.

Mileage Records

Total miles for all qualified motor vehicles must be reported on the IFTA return. Total miles include both taxable and exempt miles. Mileage which is exempt from taxation varies from jurisdiction to jurisdiction. Exempt mileage information for all IFTA jurisdictions is available on the IFTA, Inc. Web site at www.iftach.org. Jurisdictions may also be contacted directly.

Trip Reports –

A motor carrier's daily vehicle mileage and fuel report is approved as a source document if it is

properly completed. Trip reports should include the following information:

- Date of the trip (beginning and ending dates)
- Trip origin and destination
- Route of travel (list the highway used when entering and leaving a jurisdiction).
- Total trip miles (beginning and ending odometer or hubometer reading)
- Mileage by jurisdiction (odometer or hubometer readings at each jurisdiction line)
- Power unit number or vehicle identification number (VIN)
- Vehicle fleet number
- Licensee's name

Fuel Purchase Records

A motor carrier must have adequate records to support the tax paid fuel credit on the IFTA return. **If sufficient documentation is unavailable, all claims for tax-paid fuel will be disallowed on the return.**

Bulk Storage

Motor carriers who have bulk storage in Michigan must maintain complete records of all motor fuel purchased, received and withdrawn. Bulk fuel records must include all of the following:

- Inventory reconciliation
- The date of each receipt of fuel
- The name and address of the person from whom the fuel was purchased or received.
- The number of gallons received.
- The type of fuel

Records for withdrawals from bulk storage must include all of the following:

- Date of withdrawal from storage.
- Number of gallons withdrawn.
- Type of fuel withdrawn.
- The vehicle or equipment into which the fuel was placed. If the fuel is placed in a qualified motor vehicle, the unit number or base plate number and the two letter designation of the jurisdiction that issued the decals must be recorded.

Retail Purchases of Motor Fuel

When making retail purchases of motor fuel, the carrier must obtain a properly prepared invoice from the retailer. Fuel receipts that do not contain all of the following information may be disallowed as tax-paid credits.

- Date of purchase.
- Seller's name and address.
- Number of gallons purchased.
- Fuel type.
- Fuel tax paid per gallon.
- Price per gallon or total amount of the sale.
- The unit number or base plate number and the two letter designation of the jurisdiction that issued the decals.
- Purchaser's name.

Retail purchases must be supported by a receipt or invoice, credit card receipt, automated vendor generated invoice or transaction listing, or microfilm/microfiche image of the receipt or invoice. **Invoices that have been altered or indicate erasures will not be accepted by the Department unless the licensee can demonstrate the receipt is valid.**

Electronic Recordkeeping

On-board recording devices, vehicle tracking systems, or other electronic data recording systems may be used in lieu of or in addition to handwritten trip reports for tax reporting. Any device or electronic system used in conjunction with a device must meet very specific requirements for data collection. The requirements for electronic recordkeeping can be found in the IFTA Procedures Manual, Sections P600 – P670. The IFTA Procedures Manual is available on the IFTA, Inc. Web site at www.iftach.org.

Regulated Fuel Types

The types of fuel regulated under the IFTA vary from jurisdiction to jurisdiction. Michigan currently regulates only diesel and biodiesel fuel under the IFTA. Michigan does, however, collect tax from its licensees for different fuel types on behalf of other jurisdictions. If a Michigan based carrier uses a type of fuel in a jurisdiction that regulates that fuel type, it must be reported on the return.

The fuel types that are currently regulated by some IFTA jurisdictions are as follows:

A-55	Gasoline
Biodiesel	LNG
Diesel	M-85
E-85	Methanol
Ethanol	Natural Gas (CNG)
Gasohol	Propane (LPG)

Dyed Diesel Fuel

The Motor Fuel Tax Act prohibits the use of dyed diesel fuel in highway vehicles with a few exceptions. The exceptions are, in general, governmental vehicles, vehicles used exclusively by the American Red Cross, implements of husbandry and certain buses.

An implement of husbandry does not include any vehicle registered or required to be registered for highway use, even if the vehicle is used in the farm fields. All fuel placed in such vehicles is considered taxable and the use of dyed fuel is prohibited.

The Motor Fuel Tax Act provides for a civil penalty of \$200 for each of the first two violations of dyed diesel fuel use within a 12 month period. For third and subsequent violations in a 12 month period the civil penalty is \$5000. These civil penalties are in addition to the cost of the citation and the tax, penalty and interest due on the fuel.

Exempt Vehicles

Michigan exempts from regulation under the Motor Carrier Fuel Tax Act, vehicles owned by this state, a political subdivision of this state, or the federal government; or a qualified motor vehicle owned by, or leased and operated by, a non-profit private, parochial, or denominational, school, college, or university.

Vehicles that are exempt in Michigan may not be exempt in other IFTA jurisdictions. Before traveling into another jurisdiction, carriers should determine whether the vehicles are also exempt in the jurisdictions they will be traveling through. Information on exempt vehicles for each jurisdiction can be obtained on the IFTA, Inc. Web site at www.iftach.org.

Buses

A bus is defined in the Motor Carrier Tax Act as a passenger vehicle of a capacity of 10 or more operating under a certificate of authority issued by the state transportation department or another qualifying agreement.

Bus companies must pay the diesel fuel tax when fuel is purchased either directly into the motor coaches or into bulk storage. Bus companies that purchase and consume fuel in Michigan in a motor coach are eligible for a refund of the diesel fuel tax on that fuel.

Bus companies will report all mileage as taxable on the Michigan IFTA return and take credit for all Michigan tax-paid purchases. In order to calculate any additional refund or tax due, the bus company must complete an *IFTA Bus Schedule* (Form 4360). If the net amount calculated on the bus schedule is a credit, a *Claim for Refund of Motor Fuel Tax* (Form 680) must also be filed. The IFTA schedule filed with the base jurisdiction must also be attached. Refund claim forms can be obtained by calling 517-636-4600.

Audits

The IFTA Articles of Agreement and the IFTA Audit Manual require that a certain number of audits be performed by the Department each year. A motor carrier will be notified of an audit at least 30 days in advance unless there are extenuating circumstances.

All records should be made available to the audit staff at the beginning of the audit in order to expedite the audit. The audit staff will make every effort to keep the motor carrier informed of any adverse findings during the course of the audit.

When the audit is complete, a closing conference will be held to advise the motor carrier of the audit findings and recommendations.

Bankruptcy

If a motor carrier files for bankruptcy, a copy of the order or notice of bankruptcy must be sent to the Michigan Department of Treasury, Collections Division Claims, P.O. Box 30168, Lansing, MI 48909.

Payments, Refunds and Appeal Rights

Payment of Tax

The IFTA quarterly returns are due on the last day of the month following the end of the quarter. The due dates are as follows:

1 st Quarter	April 30
2 nd Quarter	July 31
3 rd Quarter	October 31
4 th Quarter	January 31

If the due date falls on a Saturday, Sunday or legal holiday, the due date is the next business day.

An IFTA return must be metered by or canceled by the U.S. Postal Service or the Canadian Post or Delivery Service on or before the due date of the return to be considered a timely return.

Late Payment Penalty and Interest

Penalty and interest are due on IFTA returns that are filed late. The IFTA Articles of Agreement provide for a late payment penalty of \$50 or 10 percent of the tax due, whichever is greater. In addition, the Revenue Act (MCL 205.24 (2)) provides for a late payment penalty of 5% of the tax due for the first two months and then 5% per month, to a maximum of 25%.

The IFTA Articles of Agreement provide for interest to accrue at 1 percent per month on a late return for periods prior to July 1, 2013. For periods on or after July 1, 2013, interest shall be set at an annual rate of 2% above the underpayment rate established under Section 6621(a)(2) of the Internal Revenue Code. Interest on the IFTA return is calculated on a jurisdictional basis and not on the net amount of tax due. It is possible for the interest to exceed the net amount of tax due on a return.

Assessments

An assessment will be issued immediately on a no remittance or partially paid return and will include penalty and interest. If an adjustment is made to a return, the motor carrier will receive a letter explaining the adjustment and have an opportunity

to make payment without penalty. If payment is not made in the time specified in the letter, an assessment will be issued and penalty and interest will accrue.

If a motor carrier fails to file a required IFTA return a delinquent notice will be sent. If a return is still not filed in response to the notice, an estimated assessment will be issued.

Credits and Refunds

If an adjustment on a return results in a credit, the credit may be applied to any existing liabilities. If no liabilities exist, the credit will remain available for 8 quarters to be used on future returns, unless a refund is requested by the carrier. Interest on refunds is paid beginning 90 days from the date of the refund request. The interest rate is 1 percent per month or partial month from the due date of the return or the date the refund was requested, whichever is later.

Appeal Rights

A motor carrier has 60 days from the date an Intent to Assess is issued to request an informal conference. If a motor carrier timely requests an informal conference, the Hearings Division of the Michigan Department of Treasury will notify the carrier of the time and place of the informal conference.

If a motor carrier fails to timely request an informal conference, the Department will issue a final assessment to the carrier. If the motor carrier wishes to appeal the final assessment, the motor carrier has 35 days from the date of the final assessment to file an appeal with the Michigan Tax Tribunal or 90 days from the date of the final assessment to file an appeal with the Michigan Court of Claims. The carrier must pay any uncontested portion of the final assessment as a prerequisite to the appeal.

If the Department denies or reduces the amount of a refund request, the motor carrier has 60 days from the date the refund request was denied or reduced to request an informal conference. The motor carrier also has the option of filing an appeal with the Michigan Tax Tribunal within 35 days of the date of the refund denial or reduction, or with the Michigan Court of Claims within 90 days of the date of the refund denial or reduction.

Resources

All IFTA forms as well as additional information on electronic filing and electronic payment can be found on the Treasury Website at www.michigan.gov/taxes. Click on the Fuel and Tobacco Tax link.

Correspondence can be mailed to:

Michigan Department of Treasury
Special Taxes Division
P.O. Box 30474
Lansing, MI 48909

Documents may also be faxed to 517-636-4593.

Returns should be mailed to the address printed on the returns.

Telephone assistance is available from 8 a.m. to 4:30 p.m. Monday – Friday at 517-636-4580. Treasury staff is available to assist walk-in customers from 8 a.m. – 3 p.m. Monday – Friday.

Mileage, fuel and vehicle exemption databases, tax rate charts and jurisdictional contact information are available at the IFTA, Inc. Web site at www.iftach.org. Updates to the IFTA governing documents and jurisdictional news can also be found here.