



IFTA Tips

1) If a trucking company needs more IFTA information, first refer them to the IFTA main web site:

<http://www.iftach.org>

Especially point out the “Manuals” tab on the left side of that page. The “Procedures” manual is a good place to start and the “Audit” manual will help them avoid extensive audits.

2) Second, refer them to the state DMV website for the state in which they are based. For example, here is some documentation I easily found on the Nevada state DMV web site:

<http://www.dmvstat.com/pdfforms/mciftarecords.pdf>

The great thing about IFTA is that trucking companies only have to deal with one (1) auditor now. That is the auditor who is from the state in which their trucking company is based. Before IFTA, you might have had an auditor representing California in your office one day and the next day you would have the auditor from Illinois.

Generally speaking, all of the states are in good alignment with the IFTA requirements. However, there may be exceptions. For example, IFTA might require that you keep all the trip sheets, fuel receipts and other documentation for 4 years, but some states may require that you keep this information for longer than that.

Remember, if you use “routes of travel” (city-to-city) to calculate your IFTA mileage and you come up SHORT of miles you will pay stiff penalties. The IFTA auditors know which dates bridges were out or where there were other delays, and they will use that against your drivers if they detect that you say that your route-of-travel took you across that bridge on a day when the bridge was out of service.

Auditors especially look for truckers who seem to do all their “extra” traveling in cheap fuel tax states. For example, if you are running a truck from New York City to Seattle, Washington, and you log exactly the PC-Miler or Rand McNally distance for every state, except you show that you ran an extra 250 miles in a cheap fuel tax state like South Dakota, you can expect that they are going to expand their quick-audit to a full scale audit.

The auditors are not dumb. They know that you probably hit a detour in Pennsylvania or you took a longer route around Chicago on a Friday Afternoon to save time, and you probably didn’t put any extra miles in South Dakota at all.

Even if you use point-to-point mileage logging, the auditors still want to know what the odometer readings of your trucks were at the beginning and end of each quarter. If you fail to account for every mile traveled, it will probably launch a full-scale audit!

How to Survive an IFTA Audit



IFTA Sticker

IFTA, or International Fuel Tax Agreement, is an agreement between the continental US states and Canadian provinces. The purpose of IFTA is to simplify the payment of taxes for [trucking](#) companies operating in more than one jurisdiction. Simply put, the fuel tax agreement allows the states to distribute the fuel taxes between the jurisdictions in which your trucking company operates, while allowing you to submit taxes to only your home state or province.

Tax audits can be very stressful events for [business](#) owners. However, understanding the basics of an IFTA audit will minimize tax liability and help the audit to go more smoothly.

Instructions

Being Chosen for an IFTA Audit

IFTA requires each state, or province, to conduct a certain number of audits each year. Some audit candidates are selected randomly to quotas in a geographical area. There are some red flags in reporting that can trigger an IFTA audit. For more information on these audit triggers, consult the warning section below.

[Mileage](#) Documentation for the IFTA Audit

Notification of an IFTA audit, will be accompanied by a list of documents that the auditor wants to review. In this list of documents there are two key components, fuel receipts and trip documentation. The auditor uses the trip documentation to reconstruct the path your trucks have traveled. They reconcile the miles traveled in each audit period to the actual miles elapsed from your odometer if odometer readings.

The best trip documentation to have is a listing of the odometer readings on your truck each time you cross a jurisdiction line. Jurisdiction lines are states, Canadian Provinces and non-IFTA areas, such as Mexico and off-road areas, such as federal military bases or certain logging roads.

State auditors do not care what the PC-Miler or Rand McNally distance between two cities is. They are only interested in exactly how many miles were driven in each state on each trip. The logged mileage in each state MUST include road construction detours, multiple stops, side trips taken by the driver in that state and non-IFTA miles logged. The only way to accurately get this information is to train your drivers to log their odometer reading each time they cross a jurisdictional border.

FUEL RECEIPTS FOR THE IFTA AUDIT

After the auditor has determined miles traveled by looking at odometer readings, trip logs, DOT logs, and reported IRP and IFTA miles, the auditor will average [miles per gallon](#), MPG, for the entire audit period to determine how much fuel the trucks should have consumed.

Auditors compare this audited fuel consumed to fuel tax receipts provided by the taxpayer. Credit is given for fuel tax documented as paid by a receipt. If it is determined that fuel was consumed for which there are no fuel receipts the tax on this fuel will be reassessed. It is very important to find and present evidence of all fuel receipts and fuel tax paid. If the auditor estimates audited fuel for which there is no receipt, the fuel tax will be assessed in the audit findings.

A common mistake that taxpayers make is to feel that failing to provide documentation will help them. In reality, the auditor has the option of estimating miles and fuel for the entire audit period if no documentation is provided. Fuel tax for the entire audit period can be assessed again if a taxpayer does not cooperate with the audit. This may result in big losses of off-road or non-IFTA miles and cause large fines to be levied against truck owners.

The largest IFTA assessments come from trucking companies failing to save fuel receipts or trucking companies who purchase their fuel at gas stations where the fuel receipts do not

accurately document fuel tax paid. Make sure your drivers turn in each and every fuel receipt and that they write down the amount of taxes paid if the fuel receipt does not accurately show this!

The safest place to put the fuel receipts are in an envelope attached directly to the drivers trip sheet. Fuel receipts that are smudged or are otherwise unreadable because they were crumpled up in a drivers pocket or were otherwise lost may not be given credit by your state auditor.

IFTA Audit Results

Occasionally, an IFTA audit will result in an assessment if it is determined that trucks traveled in jurisdictions with a higher tax rate than reported on the original IFTA return.

Tips & Warnings

- Sometimes trucking companies report fuel by simply tracking the miles traveled and dividing it by a predetermined MPG. This is not a good idea. Auditors watch for these types of calculations rather than tracking actual fuel and mileage for the reporting period.
- Skewed MPGs are another audit flag. If MPGs for each quarter vary dramatically, auditors will look to see if this is due to low miles traveled in the quarters, or any other explainable factor. If none is found, the state may audit to ensure IFTA reporting requirements are understood and followed correctly.