

## Preparation for Motor Fuel Reviews

There are two objectives for motor fuel reviews:

- To determine if motor fuel data reporting is in conformance with the requirements in ***A Guide to Reporting Highway Statistics***: It is critical that FHWA be able to present the data on a comparable basis for all States because of the use of motor fuel data in the apportionment of Federal-aid highway funds.
- To improve FHWA's understanding of the State's motor fuel taxation: A thorough understanding of the tax system ensures that FHWA correctly interprets State data in the FHWA analyses.

A standard set of questions is used for each review (copy attached), supplemented with questions specific to the State.

Items to have on hand for the review:

- Blank samples of the fuel tax return forms including those used by motor carriers.
- Samples of any Department of Revenue reports used in preparing Forms FHWA-551M and FHWA-556. It is important that someone with a good understanding of the Department of Revenue reports attend the review, even if this person doesn't complete the FHWA forms. A common source of error is misinterpretation of revenue reports by persons completing the FHWA reports.

# GUIDELINE FOR FIELD OFFICE REVIEWS OF MOTOR FUEL REPORTING

## Form FHWA-551M

### **1. When is the FHWA-551M report prepared and submitted?**

The *Guide to Reporting Highway Statistics* (Guide) provides for reporting not later than 90 days after close of the month for which the data are being reported.

### **2. If the report is not transmitted within 90 days, what are the reasons? What improvements can be achieved to permit more timely reporting?**

Timely reporting of this information is critical.

### **3. Is the report submitted to the correct office? (NOTE: All motor fuel forms are submitted electronically into the FUELS Database <https://fhwaapps.fhwa.dot.gov>).**

Any documents that support motor fuel should be submitted to:

Federal Highway Administration  
Office of Highway Policy Information (HPPI)  
Suite E83-409  
Washington, DC 20590

An electronic copy should be furnished to the division office at the same time.

### **4. For which month should motor fuel gallons be reported?**

Motor fuel gallons should be reported for the month during which the fuel was sold (or transferred), rather than the month tax collections were received.

**5. Are gasoline and gasohol reported separately?**

Gasoline and gasohol should be reported separately. If they are not, this should be cited as a deficiency. The State should be encouraged to report actual gasohol gallons; if this is not possible, then the State should develop an acceptable procedure for estimating gasohol gallons. Gasohol gallons reported in Columbia 2 should be excluded from gasoline reported in Columbia 1.

**6. Does your State collect any gasohol gallonage information separate from gasoline?**

Gasoline/alcohol blends include: alcohol produced from petroleum, natural gas, or coal. Gasoline/alcohol blends, of which the alcohol is less than 190 proofs, or blends which have an alcohol content of 5.7% or less by volume, should be excluded.

If your State has this data on gasohol gallons, report that data in column 2 on the form FHWA-551M.

**7. For other than diesel fuel, do gross gallons reported include:**

- a. **Sales to the U.S. Government (including military and National Guards)?**
- b. **Loses?**
- c. **Other classes of use (including aviation) that are partially tax-exempt or that are taxed at an initial rate lower than the general rate applicable to highway use?**

For fuel other than diesel fuel, gross gallons reported should include all fuel except exports and dealer-to-dealer transfers.

Aviation fuel reported in gross gallons should include aviation gasoline only, **not jet fuel**. If aviation fuel can only be reported annually, please note on page 2. If the State cannot separate aviation gasoline from jet fuel, aviation use should be omitted entirely from FHWA-551M, and should be accordingly footnoted on page 2. In addition, if aviation fuel use is omitted from the FHWA-556, a note to that effect should appear on the FHWA-556 each year. In these cases, FHWA will add in estimated aviation gasoline gallons from Department of Energy data.

**8. Is diesel fuel gallons reported for highway use only?**

On Form FHWA-551M **only highway fuel use should be reported for diesel and alternative fuels.** Do not include off-highway and losses gallons.

**9. Do gross gallons reported for special fuel include public use (Federal, State, and local)?**

Public fuel use for Federal, State, County, and Municipal, Local use) should be included in the gross gallons reported. States should also include local transit use gallons in identifying how the fuel was taxed: all full rate, exempted, refunded partially refunded, or taxed at an initially lower rate.

**10. (a) Is interstate motor-carrier fuel reported? (b) Do any intra-State motor carrier filings affect revenue or gallons reported? (c) Is this information included in the State's data? (d) Are International Fuel Tax Agreement (IFTA) fuel use properly accounted for on Form FHWA-551M?**

Interstate motor-carrier fuel is treated different from other categories. The intent is to tax interstate fuel users (typically motor carriers), on the basis of the quantity of fuel purchased in the jurisdiction. All fuel volume taxed on a use basis should be reported as IFTA usage. While most of the motor fuel is diesel, gasoline and alternative fuels are also reported. All fuel types for IFTA should be reported as diesel on the FHWA 551M. In some jurisdictions, motor carriers report to an agency other than the fuel-tax agency; therefore, it may be necessary for the agency responsible form FHWA-551M to obtain this information from another source. All jurisdictions except Alaska, the Yukon, Hawaii, and Oregon use IFTA provisions for taxing motor fuel used by interstate motor carriers. (There is little or no interstate motor-carrier travel in Alaska, none in Hawaii, and Oregon imposes a weight-distance tax in lieu of a fuel-volume tax on interstate commercial vehicles.)

Motor carriers file IFTA returns quarterly with their base jurisdiction. The IFTA returns are processed by the jurisdictions to capture mileage, fuel purchased, fuel consumed, net taxable fuel and the tax due to or refund due from each jurisdiction. In the month following the processing of the returns, each IFTA jurisdiction receives a report (transmittal) from every other IFTA jurisdiction that includes the net taxable gallons (positive or negative) accumulated from all the basic-jurisdiction's' motor carriers/ The monthly IFTA transmittals will also contain IFTA audit information. The transmittals should used to calculate the IFTA adjustment to the fuel purchased in your State.

Most jurisdictions' transmittals (forty-eight) are store electronically on the IFTA Clearinghouse (Clearinghouse) and are accessible to members of the Clearinghouse. Transmittals to and from non-members of the Clearinghouse will be paper copies.

Each month States should total the net fuel adjustment from all jurisdictions, including net fuel adjustments from audits. The first step is to prepare a spreadsheet that lists all fifty-eight IFTA jurisdictions (include your own State and Canadian Provinces) in one column and then a column that can be totaled for each month.

	Jan Feb	Nov Dec
AL		
AR		
WV		
WY		
Total		

For example, go to the IFTA Clearinghouse and open the January Alabama transmittal for your State. There is a total got the next taxable gallons from audits. (See below for more information on audit adjustments) Enter this total on the spreadsheet. States that are not in the Clearinghouse send and receive paper transmittals. Do this for all fifty eight jurisdictions including your own State. The total for each month is carried forward to the FHWA 551M.

The net fuel adjustment from audits will be totaled on a different line. No audit adjustment is required if the audit line includes both net taxable fuel and tax due. If only the tax due is shown for audits, divide the tax due by the current tax rate to arrive at the number of gallons. Add to or subtract from the net gallons.

When using paper transmittals the net taxable fuel will be totaled. States must determine if audit gallons are included in this total, If the net taxable gallons from audits are not included, determine how they are reported and add or subtract the reported net taxable gallons.

### **Monthly IFTA Data**

IFTA adjustment should be reported each month. For example, the IFTA adjustment on the January 551M should be based on the IFTA transmittal for January. If obtaining IFTA figures will prevent timely data submissions, the figures should be provided on the next month's report.

**11. Are assessments reported in line 1a for the month in which assessments were made or the month in which payments were received and noted on page 2?**

Assessments are gallons that the State determines, through audits or review of taxable returns that the taxpayer owes tax on and did not report as taxable gallons. They should be reported for the month that payment was received regardless of when the assessments were made. Some assessments may be reduced or canceled, requiring later adjustments of gallons for States that report assessments when made. It is common practice among most States not to consider assessments as real gallons until payments is received.

**12. Should tax rates be entered on the January reported and in any month in which a rate change becomes effective?**

All tax rates and effective dates must be reported every January, regardless if there is not a change. It is especially important to report changes in the tax rates for the month in which new rates became effective.

The information on tax rates provided by the States is used to verify the accuracy of data obtained from other sources (e.g. Commerce Clearing House, etc).

**13. At what points are the State gasoline and diesel taxes collected?**

Are taxes collected from: the terminal, the wholesaler or distributor, the retailer or the end user? Review Attachment A with the State and verify if the Attachment is correct. Provide corrections if necessary.

**14. Has the State adequately documented motor fuel reporting and estimating procedures?**

Reporting and estimation procedures used by the States in determining gasohol and net IFTA use should be well documented. This is important to assure consistency of reporting on a year-to-year basis and to provide continuity as staff changes occur at the State. Copies of written procedures should be furnished to FHWA Headquarters along with a copy of review.

**15. Are gasoline tax exempt and fully refunded uses handled in accordance with reporting instructions in the Guide?**

**16. Does the State have continuing legal or enforcement issues affecting the collection of motor fuel taxes?**

Examples of these types of issues include: untaxed motor fuel sales to the general public on Native American Reservations, or unreported fuel shipped into the State from a neighboring State with lower taxes.

## **Form FHWA-556**

### **1. Should motor fuel receipts entered separately for gasoline and special fuels?**

Receipts should be entered separately by fuel type. If no differentiation is made to the data processing by the motor fuel tax agency, a note should be added on page 2 of the Form indicating the approximate amounts apportioned to each fuel type. This is especially important when the tax rates differ for gasoline and diesel fuel.

If the State omits aviation use gallonage from FHWA-551M due to an inability to segregate aviation gasoline from jet fuel in its tax reports, the receipts from aviation use should likewise be omitted from FHWA-556, with an accompanying note explaining the omission.

### **2. Are entries in 1b, All other receipts under Motor Fuel Tax Law, adequately identified?**

This type of receipt should be identified with enough specificity so that FHWA will know how to classify treat t in the analysis. For example, Motor Carrier Road Tax will be treated as a gallonage tax, whereas such items as Truck Identification, Special Fuel User Permits, etc., will be classified as Other Related Receipts.

### **3. Are gasoline/diesel fuel revenues being reported on other 500 series Forms? For example, Forms FHWA-571, FHWA-532, etc. which could include interstate/intrastate fuel usage?**

### **4. Please list the names of the individual(s), the State agency, and contact information for who prepares and submits the form FHWA-556.**