

Fuel Tax Evasion

Federal Highway Administration

Highway Information Seminar

October 2012

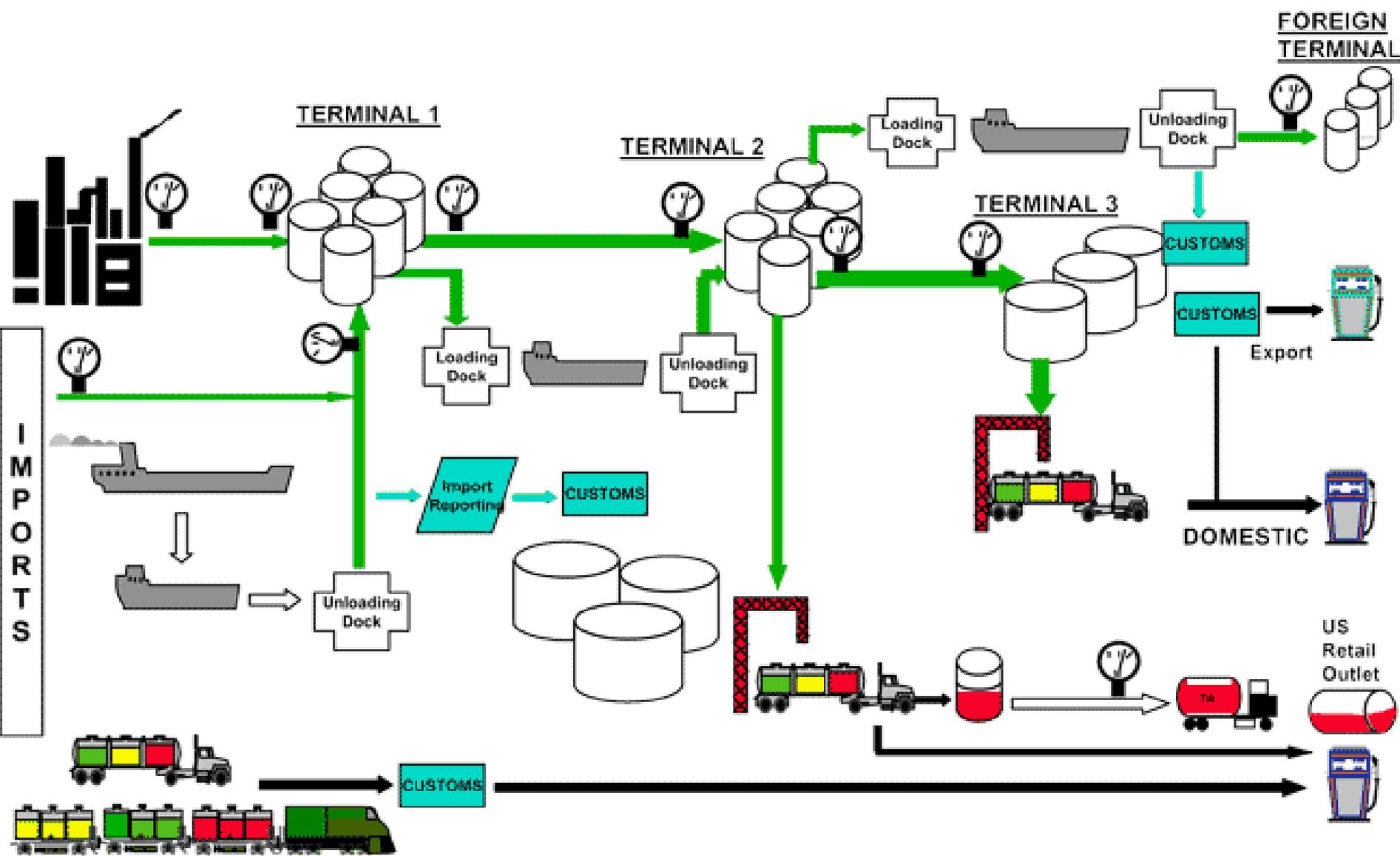


Fuel Tax Evasion

- Evasion is difficult to measure
- Problem with Federal and State Taxes
- Highway Use Taxes
 - Fuel Taxes
 - Heavy Vehicle Use Tax
 - Truck Tax
 - Tire Fee

Fuel Tax Evasion

- Types of Evasion Schemes
 - Federal
 - Dyed diesel fuel use on highway
 - Cocktailing
 - Foreign Imports
 - Mislabeled products
 - State
 - Daisy chain
 - Bootlegging
 - IFTA Issues



LEGEND					
	PipeLine		Loading Rack		Dock
	Transport Route		Bulk Plant		Tankwagon
	Meter		Consumer tank		Retail Outlet
	Reports on Imp/Exp				

Fuel Tax Evasion

- Dyed diesel fuel use on highway
 - Federal (IRS) and State enforcement
 - On highway
 - Through internal audit
 - Dyed fuel use database
 - Sharing information with neighboring states
 - Regional meetings
 - Teleconferences
 - Regular reports

Fuel Tax Evasion

- Cocktailing
 - Introduction of foreign matter into taxable product
 - May include:
 - Waste oil
 - Fuel not considered normally for road use (#4 Oil, #6 Oil)
 - Chemical products
 - Transmix
 - Hazardous materials

Fuel Tax Evasion

- Foreign Imports
 - Understand foreign trade zones
 - Understand fuel removed from military storage
 - Lightered barges
 - Rail product
- Mislabeled Product
 - Mineral spirits
 - Jet Fuel/Avgas

Fuel Tax Evasion

- Daisy Chain
 - Reduced opportunity at Federal level and States which impose tax at rack
 - Sales to several companies before final customer followed by disappearance of one or more companies in the chain
 - Still possible for state tax

Fuel Tax Evasion

- **Bootlegging**
 - State tax issues
 - Product is moved across state lines without reporting;
 - Tax rate is lower in state of export
 - Or, product is not moved although it is reported as such
 - Tax rate is higher in state of export
 - Diversion registry

Fuel Tax Evasion

- IFTA Issues
 - Vehicles over 26,000 lbs. report usage per jurisdiction (48 US States and 10 Canadian Provinces)
 - State rates are different
 - Fraudulent reporting of activity
 - Inaccurate reporting of activity
 - Internal Audits
 - Field Audit (3% of registrations per year)

Fuel Tax Evasion

- Heavy Vehicle Use Tax (HVUT)
 - Tax collected by IRS
 - Proof of payment needed to receive registration
 - States certify compliance annually
 - Evasion may result from invalid proofs of payment
 - FHWA conducts HVUT compliance reviews once each 3 years

<http://www.fhwa.dot.gov/policyinformation/vehicleusetax.cfm>

Fuel Tax Evasion

- Truck Tax
- Tire Fee
- Enforcement efforts
 - Studies
 - Research

Fuel Tax Evasion

- Why do we care?
 - Federal taxes come back to states
 - State % should be accurate
 - Shortage of trust fund monies means funding is taken from other sources
- What more can we do?
 - Analyze data; year-to-year, etc.
 - Encourage communication and cooperation between state transportation and revenue agencies

Fuel Tax Evasion & HVUT

Comments or Questions?

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Thank you!