



# Fuel Tax Evasion

FHWA Office of Highway Policy Information  
Highway Information Seminar  
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# Organizational Chart

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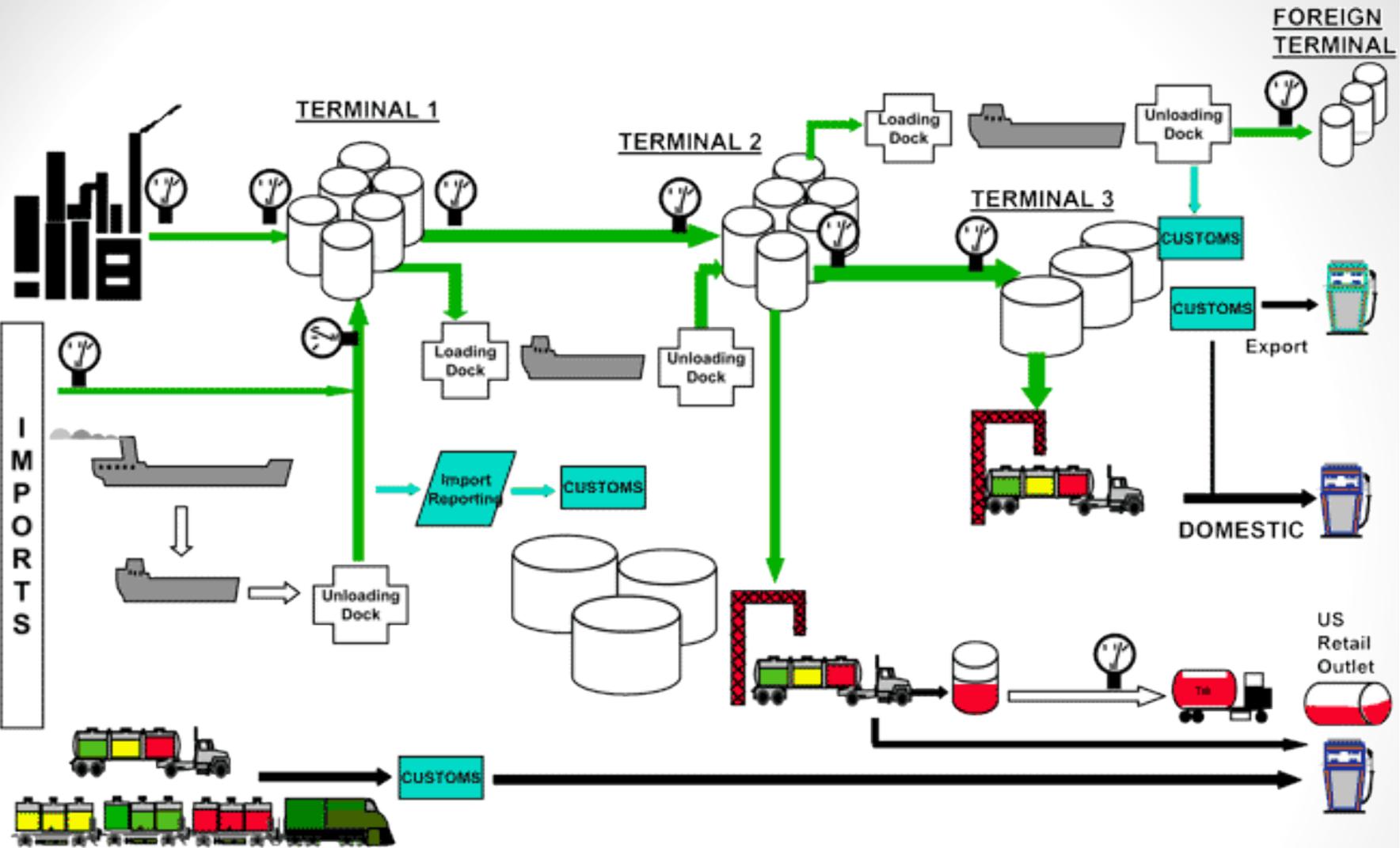
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# Fuel Tax Evasion

- What is Fuel Tax Evasion?
- Why do we care?
- How can we identify it?
- What can we do about it?



**LEGEND**

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

# What is Fuel Tax Evasion

## Types of Evasion Schemes

- Federal
  - Dyed diesel fuel use on highway
  - Cocktailing
  - Foreign Imports
  - Mislabeling of products
- State
  - Daisy chain
  - Bootlegging
  - IFTA Issues

# Why do we care?

- The majority of cases involve small amounts
  - 100 gallons or less
  - 1 or 2 truck operations
- The larger cases can involve ship loads of fuel that may measure up to 1,000,000 gallons
- Lost funding planned for transportation projects is often taken from other areas, resulting in shortages in those programs or increased taxes.
- In 2012, States reported \$ 1.5 million in assessments for dyed fuel violations alone. The Federal liability for those cases would probably total an additional \$ 1.5 million

# How Can We Identify It?

- Decrease in Revenue
  - Compare distributors Year-to-Year
  - Use neighboring States to compare changes
- Increase in amount of dyed diesel reported
  - As % of total sales
- Increased level of internal and field audit
- Communication
  - State Departments of Transportation and Revenue
  - States and Industry

# What can we do about it?

- Encourage States to require electronic filing of tax returns
  - Automated tracking
- Encourage reporting of evasive behavior
  - Missouri Department of Revenue – Report Fraud
  - <https://sa.dor.mo.gov/fraud/>
- Participate with Federation of Tax Administrators Motor Fuel Tax Section
  - <http://www.taxadmin.org/fta/mf/>
  - Regional and Annual Meetings
  - Uniformity Committee
  - Publications
- Intergovernmental Fuel Tax Evasion Enforcement Grants

# Resources

- IRS Website ([www.irs.gov](http://www.irs.gov))
  - Publication 510 – Excise Taxes
    - <http://www.irs.gov/pub/irs-pdf/p510.pdf>
  - Form 720 – Quarterly Federal Excise Tax Return
    - <http://www.irs.gov/pub/irs-pdf/f720.pdf>
- FTA – Motor Fuel Tax Section (<http://taxadmin.org/fta/mf/>)
  - Presentations
  - Documents
  - State Taxation of Motor Fuels Guide  
([http://taxadmin.org/fta/mf/unif\\_docs/2013\\_summary\\_book.pdf](http://taxadmin.org/fta/mf/unif_docs/2013_summary_book.pdf))
- FHWA Motor Fuel Tax Compliance Outreach
  - <http://www.fhwa.dot.gov/motorfuel/about.htm>

# Questions and Comments

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