

CHAPTER 2

REPORTS IDENTIFYING MOTOR-FUEL USE AND TAXATION



Introduction

This chapter covers the reporting of State motor-fuel consumption and motor-fuel tax revenues. Form FHWA-551M, *Monthly Motor-Fuel Consumption*, provides for the monthly reporting of motor-fuel volume data. Form FHWA-556, *State Motor-Fuel Tax Receipts and Initial Distribution by Collection Agencies*, provides for the annual reporting of State revenue collection data. The data reported on form FHWA-551M are widely considered to provide the most up-to-date, complete and accurate information on gasoline usage, and as such, are invaluable for a variety of analyses within the Department of Transportation and by other agencies. The data also provide the information contained in the report *Monthly Motor Fuel Reported by States*. Both forms FHWA-551M and FHWA-556 are used in compiling tables that are published in the FHWA annual publication *Highway Statistics*. These tables showing motor-fuel volume by tax status and by use and motor-fuel revenues are extensively used for highway planning and highway-user tax revenue projections.

This chapter contains the following parts:

- (1) Introduction;
- (2) A “What’s New” section on changes related to this version of the Guide;
- (3) Background;
- (4) A discussion of adjustments that the FHWA makes to the State motor-fuel data;
- (5) State considerations for reporting motor fuel data on the FHWA Form 551M;
- (6) Instructions for filling-in form FHWA-551M, including new submission instructions;
- (7) Instructions for importing data using the FHWA 551M import template;
- (8) A discussion of the fuel type columns of the form;
- (9) Instructions for line by line entries, and
- (10) Instructions for form FHWA-556, which covers reporting of the revenue data related to motor fuel taxes.

What’s New

With the increasing importance of motor fuel data in the attribution and apportionment processes, FHWA determined that an automated data submittal process using a web-based application would ease the reporting burden and improve the data accuracy. A new data submittal tool was developed and implemented starting in January of 2002. Shortly after distributing this tool, FHWA was required to implement additional security measures that required the data to be developed in the input tool, but submitted to FHWA using the User Profile and Access Control System (UPACS). The input tool, and other database storage, viewing, and retrieval features have been implemented, all within the UPACS firewall. All States are reporting motor fuel data using UPACS.

The URL for **UPACS** is <https://fhwaapps.fhwa.dot.gov/upacsp/>. Users will need a UPACS identification which can be obtained from the appropriate FHWA Division UPACS coordinator in the State. These are listed under “UPACS Administrators” on the UPACS entry page (top left of the screen). Once a UPACS identification is obtained, the user will also need “rights” to use the Fuel portion of the software. This can be obtained by logging into UPACS, and clicking on “Application List” on the top left of the screen. Go to the fuels\FASH area and click on “contacts”. This will provide the FHWA Division software sponsor who will assist in providing rights to use the particular software.

FHWA requires motor fuel volume data be submitted through this new version of FUELS/FASH. This section will briefly describe some features of the entire software application. FASH refers to a related software

application covered in *Chapter Eight* of this Guide. References to the revised FUELS application will be found throughout this *Chapter Two*.

Automated Data Validation of the 551M

A significant feature of the software application is the ability to automatically validate data before submission. The new software is designed to allow the State data provider to fully develop a monthly 551M report before it is submitted, as well as the annual motor fuel receipt form FHWA-556. Provision is made for storage of partially completed reports to facilitate normal workflow (allows partial data preparation, so you can come back to the saved partial report after time on other tasks or even after extended periods of time).

Before submission, however, a set of pre-developed tests will be run looking for data that is significantly out-of-line with past reporting (for the 551M only). At this point, if tolerances are exceeded, the software will identify certain types of suspect data and ask the data provider to re-check the entry(s). A correction that falls within tolerance, or a comment explaining why the data is correct as provided, will be accepted by the software as addressing the issue. An FHWA analyst will also be checking the entry and comments, and may ask for more information.

After validation and submission, FHWA will evaluate the submission and if it is acceptable, place it into the FHWA motor fuel software application database.

Providing comments to FHWA via the UPACS version of the FHWA 551M.

Several options have been provided to allow State data providers to communicate with FHWA analysts who work with motor fuel data.

Comments can be attached to the data file as it is being submitted to FHWA. For example, if the State has revised or corrected data for a month for which data has already been submitted, a comment to that effect can be provided. It is useful for FHWA analysts to know that revised data is being submitted.

A general comment area is provided for any additional comments or data one may wish to provide to FHWA.

Comments can also be attached to the submission in the Email message block provided on the submission page in the application. This is an already existing feature.

Customizing the Form 551M to Your State's Motor Fuel legislation

Because each State has a unique set of motor fuel categories that are exemptions, refunds, or fuels taxed at rates other than the normal highway motor fuel tax rate, FHWA designed the software application so that a State can customize the form to display with their own tax category labels.

With the new input application, a multiple page input form; the user is able to define the specific categories applicable under State law to fit into standard national categories. For example, several States have refunds for purposes such as fire fighting and ambulance services. For the purposes of reporting motor fuel use in the States, FHWA has determined that these services are typically a government function and therefore will have the States place such uses in the category FHWA identifies as State, County, and Municipal uses of fuel.

This saves on the data input effort (once the feature has been defined on the first use), and has the added benefit of automatically aligning data for consistency over multiple data cycles. If your State changes its motor fuel tax structure, this feature can be re-opened to record your States new definitions. This feature is discussed at length in the line-by-line instruction section of this Chapter.

Treatment of Alternative Fuels

In the past, FHWA identified a column in Form FHWA 551M for Liquefied Petroleum Gas (LPG) as a separate item. FHWA has now revised this data entry and directs States to report all alternative fuels in one of the input pages. Alternative fuels are defined as fuels other than gasoline, gasohol, E85, M85, diesel or kerosene – also see the definition discussion on Page 2-8 in this Chapter. This general alternative fuels category therefore would include fuels such as LPG (propane, butane), compressed natural gas (CNG), and liquefied natural gas (LNG).

In the revised input procedures, States are asked to choose the alternative fuels section of the input screens and provide information on the types of alternative fuels consumed in the State and measured on a BTU energy equivalent basis. To achieve consistency in reporting among States, FHWA recognizes generally accepted conversion rates based on energy equivalents. Further details on this are available on the Fuels\FASH website under “Motor Fuel References”

Background

The volume data are used by FHWA for two purposes: 1) to record historical information for policy development purposes, and 2) to attribute Federal Highway Trust Fund receipts to the States, which in turn are used in the Federal-aid highway fund apportionment process. Over the past two decades, the latter purpose has gained in importance. Highway motor fuel consumption data currently impacts the distribution of Federal-aid highway program funds in the following program categories: Interstate Maintenance (IM), National Highway System (NHS), Surface Transportation Program (STP), and the Equity Bonus Program.

The FHWA recognizes that the States' motor-fuel information systems, and, therefore, the data they are able to submit, are organized primarily for the purpose of administering State fuel-tax programs. Because of variations in individual State requirements, reported data are typically not comparable among the States. In order to treat States equitably in motor fuel attributions, and include information from all States in the national summary tables published in *Highway Statistics* on a comparable basis, the FHWA often has to adjust parts of each States' submissions. The adjustment process fits each State's unique data to uniform categories so that national characteristics and trends can be analyzed. Refer to the next section for a general policy statement and discussion of FHWA adjustments to the data.

FHWA ADJUSTMENTS TO STATE DATA

Generally State motor-fuel taxes are levied on road users, and refunds of the taxes paid or exemptions to the tax are given for non-highway use of motor fuel. However, not all States offer refunds or exemptions for all classes of non-highway use, and not all available refunds are actually claimed. Thus, often the net volume of fuel taxed as motor fuel by the States is not the same as the volume consumed on highways. Consequently, it is necessary to make various adjustments to the tax-status information provided by the States to show fuel volume on a use basis when published in *Highway Statistics*.

Federal Government Highway Gasoline Use—Many States exempt from taxation gasoline used by the Federal Government, including both civilian and military uses. Since the only Federal use of gasoline included in FHWA tables is civilian highway use, the FHWA estimates this category for all States based on information obtained from Federal agencies. State-reported Federal use in excess of the FHWA estimate is presumed to be either civilian non-highway or military use and is eliminated from the Federal figure reported by the State as well as from the gross volume.

State and Local Government Gasoline Use — Many States are not able to provide segregation between highway and non-highway uses of State, county and municipal gasoline. FHWA estimates the highway use figure for each State. In those cases where the State-provided number substantially agrees with the FHWA estimate, State data is used by FHWA. In all other cases, the FHWA estimate is used.

On-Highway Public Use of Diesel Fuel— FHWA now includes on-highway public diesel fuel in its 551M reports. In the past, on-highway public diesel fuel was excluded. However, the fact that most States cannot separately

identify public diesel fuel use, coupled with the movement of point of taxation up the distribution chain (leading to an increasing inability to separately measure the fuel use), and the fact that the vast majority of public diesel gallons can be identified as being consumed on the highway, has convinced FHWA to include these gallons in the reporting of on-highway motor fuel volume.

Off-highway Use of Diesel and Alternative Fuels—In order to include comparable data for all States in the national summary tables, the FHWA has chosen to show private and commercial and public highway use of diesel and alternative fuels (shown in FHWA Tables as special fuels) in its consumption tables. Transit use, regardless of the ownership of the transit system, is treated as private and commercial use. **FHWA expects all States to identify and deduct any identifiable non-highway use of diesel and alternative fuels in the State-reported figures.**

It will be the States responsibility to ensure these non-highway uses are not reported, and are not included in the gross gallons reported on Form FHWA 551M. The same reasoning applies to the reporting of the Form FHWA-556; in which only revenue related to on-highway diesel or alternative fuel taxes should be reported. For example, do not report revenue collected by the State for jet fuel taxes. These amounts should be left out of the FHWA 556 entirely. Do not include them in the gross revenue or in any subsequent lines.

Gasohol—In the past, FHWA developed a model to estimate gasohol usage in those States that have gasohol, but for any of several reasons, do not report it separately. With the recent changes in Federal law, gasoline and gasohol now pay the same federal tax rate. For attribution purposes, FHWA will treat gasoline and gasohol as the same fuel type. However, FHWA requires those States that can accurately track and report gasohol to continue to report it on the Form FHWA 551M. FHWA intends to continue to publish a table summarizing gasohol usage.

Gasoline Loss Allowances—About one-half of the States allow the gasoline wholesaler and/or retailer a flat percentage allowance against the tax owed for losses in storage and handling or, in some cases, for both losses and the expense of tax collection. Since retailers sell fuel at a tax-included price, FHWA considers that the “lost” volume actually exists (While a State may choose to provide a loss allowance to motor fuel wholesalers and distributors, the gallons represented by this accounting entry are not actually lost; they are just not taxed by the State) and the gallons are used on the highways.

Analyses of data from States that allow only actual losses to be claimed have shown that actual losses seldom exceed one-half of 1 percent. Where a flat percentage loss allowance is included in the State’s legislation, FHWA will count all gallons subject to that loss allowance as gallons consumed on the highway in FHWA Tables related to attribution. FHWA will continue to direct States to report the loss allowance, where applicable, as some of the FHWA tables are meant to reflect actual State practices. Since the FHWA intent is to show the actual fuel volume that is used on the highways, appropriate adjustments will be made in the State data. The State should report all gallons subject to its loss allowance; and FHWA will make the adjustments described as part of its analysis.

Note: FHWA spreadsheets automatically calculate data taking into consideration that loss allowances are normally negative numbers. Several States report loss data showing a negative number – presumably to indicate to FHWA that the data is negative. This creates a problem, however, since FHWA calculations already assume loss data is negative, so when States report negative losses, the automatic calculations add losses. Be sure when you are reporting losses that you do not report a negative number unless you really mean that the volume of fuel increased. The only possible reasons for reporting negative numbers are that the fuel expanded due to temperature increases, or that earlier monthly reporting was too high and needs to be reduced. A better way to handle the latter situation is to re-submit the appropriate monthly report(s) with revised loss data.

Diesel losses were not recognized in the FHWA *Guide to Reporting Highway Statistics* instructions on the assumption that shrinkage and evaporation of diesel fuel is not significant. For this reason, FHWA will continue to instruct State to exclude diesel loss allowance gallons.

State Considerations for Reporting Motor Fuel Data on the FHWA Form 551M

States having unique circumstances in the collection and reporting of motor fuel data have, by and large, worked out arrangements with FHWA for the reporting of the non-standard data. However, the following issues are discussed to give State data provider's additional information about the treatment of some of these items.

The implementation of an electronic submittal process results in the need to have the State data meet more stringent entry requirements. States will have to implement some changes to operating procedures to accommodate this. These issues will be addressed as they arise in the line-by-line instructions. Some of the major issues are as follows:

1. States will be responsible for removing all non-highway diesel and alternative fuel gallons from the gross volume and from all Form FHWA 551M (gallons) and FHWA-556 (revenue) entries.
2. States will be responsible for properly combining various alternative fuels using the given energy conversions factors.
3. States will be responsible for entering the State's motor fuel tax rates and effective dates on the entry screens of Form FHWA 551M each January, and to enter new tax rates at the time of implementation if the State's tax rates change during the year, as well as the 556 (Motor Fuel Tax Receipts)

States that use Excel spreadsheets to import their data into the FUELS database reporting system in UPACS, may choose to automate data entry using an FHWA designed Excel spreadsheet template for importing. This template can be found at the following URL: www.fhwa.dot.gov/policy/ohpi/hss/formlist.htm. The Fuels and FASH menu of the UPACS website has an <import> menu that will allow you to submit the Excel spreadsheet template.

State Motor Fuel Tax Law Changes

When changes in State tax law introduce a new exemption, fully refunded or taxed at other rate category, please provide a brief narrative description in the comment field associated with the data cell in the first report on which it appears. This information allows FHWA to interpret the data properly in its analyses. Once an exemption type has been assigned a category in the software application procedures, it will be retained there for future submissions (unless changes are implemented).

Data reported annually rather than monthly

Some States receive data on an annual basis rather than a monthly basis. Examples are States that can report annual LPG, aviation gasoline, mass transit fuel use, or gasohol data only at the end of the year.

Upon receiving the annual data (typically at the end of a calendar year) the States should divide the annual number into twelve periods, and report it on revised monthly reports. With implementation of the software application, it is relatively easy for States to revise previously submitted reports, and resubmit the reports with the revised data.

Reporting Assessment Data

Assessments are taxes that the State determines, through audits or reviews of taxpayer returns the taxpayer owes, but did not previously report and pay. This data is typically months or even years behind the date of sale or transfer. Reporting these gallons at a later time period somewhat distorts periodic motor fuel reporting. However, its reporting, no matter how late, is important. The following paragraph discusses how to report assessment data.

The fuel volume represented by assessments or late returns should be reported in the month collected, since it is unrealistic to adjust reports that may be many months or years old. However, if the State finds the assessments are fairly recent, the state can elect to go back to the month within the last 12 months, and modify an existing monthly FHWA-551M in UPACS and resubmit the data. (i.e. Assessment was done in August of current year, but the sale was found to be in June). *June can then be adjusted and resubmitted with the new*

assessed volume. This would include those gallons in the month of sale, reflecting a more accurate picture of the flow of gasoline, in relation to travel data.

FHWA directs that actual collections, and the gallons of motor fuel represented by those collections, be reported after assurance that all legal procedures have been exhausted and the assessment is ultimately sustained before being included in the FHWA 551M and 556. Assessments (money) that cannot be collected should **not** be included; however, gallons represented by these assessments can be reported, with a note describing them as gallons consumed (but no revenue was collected) on the highways in the State.

International Fuel Tax Agreement (IFTA) Data

Interstate motor-carrier fuel use is treated differently from other fuel categories. The intent is to tax interstate fuel users (typically motor carriers), on the basis of the quantity of fuel used within each State or Canadian Province (jurisdiction) rather than on the basis 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 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 for completing form FHWA-551M to obtain this information from another source. All jurisdictions except Alaska, Yukon, Northwest Territories, Nunavut, 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 the 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 base-jurisdiction’s’ motor carriers. The monthly IFTA transmittals will also contain IFTA audit information. The transmittals should be used to calculate the IFTA adjustment to the fuel purchased in your State.

Most jurisdictions’ transmittals (forty-eight) are stored 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
Alberta (AB)	21,500	10,400	~	11,200	11,500
Alabama (AL)	(1,234)	(1,345)	~	(1,456)	(1,567)
~	~	~	~	~	~
West Virginia (WV)	(1,500)	(400)	~	(500)	(400)
Wyoming (WY)	18,000	7,500	~	8,500	7,000
Totals	25,000	16,000	~	14,000	18,000

Total

For example, go to the IFTA Clearinghouse and open the January Alabama transmittal for your State. There is a total for the net taxable fuel (in gallons). Add or subtract to this amount the net 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. You should note that since IFTA returns are filed quarterly, you may have more extreme totals in the months where the majority of the returns are filed, namely January, April, July, and October.

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 adjustments 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.

Native American Tribal Issues

Gallons of fuel sold for highway (non-tribal government) use on Native American reservations should be included on the FHWA-551M, since these are highway use gallons taxed by the Federal Government and should be included to make attributions of Highway Trust Fund (HTF) revenue to States in which reservations are located. Gasoline and diesel fuel gallons sold on Native American reservations should be included in gross gallons. Tax-exempt gallons and tax-refunded gallons for tribal member use should be reported for all fuel types under those categories respectively. List tax-exempt and tax-refunded gallons separately as "Native American use" to distinguish these gallons from other exempt or refunded categories such as Federal Government use. Payments to Native American tribes under fuel tax collection or revenue sharing agreements, in lieu of motor fuel tax refunds, should be identified separately on the FHWA-556 under Item 8.

If there are sales on Native American reservations not reported to the State, add a note similar to the following in the general comment field associated with the form FHWA 551M: "Motor fuel sales on certain Native American reservations are not included."

Treatment of Motor Fuel Volumes Where a Registration Fee is Collected Rather than a Per Gallon Tax

Several States do not tax alternative fuels on a per gallon basis. This is most common for LPG, but often applies to LNG and CNG. These States typically charge annual alternative-fueled vehicle registration fees, and issue a decal. The registration fee often depends on the vehicle weight or distance of travel. This fee is a highway-related tax, and the gallons represented by this tax are eligible as on-highway motor fuel use. The receipts associated with these decals are reported on FHWA-556, and the on-highway gallons may be reported on the 551M.

Where decal fees are used in lieu of per gallon taxes, estimate the gallons by showing the computation using the decal fee formula (annual amounts can be reported in the month collected). Provide an explanation of the calculation method in the comment field associated with the data cell.

INSTRUCTIONS FOR FORM FHWA-551M

Form FHWA-551M should be completed by the State agency that collects the motor-fuel tax. A copy of FHWA-551M should be sent directly from the agency preparing it to FHWA headquarters via the software application.

Electronic transmittal of the data via the Software application on-line is required. Provision has been made so that the data sent to the Washington Headquarters can also be sent electronically to the applicable Division Office. FHWA encourages review of the data by the Division Office.

Form FHWA-551M should be transmitted to the FHWA Washington Headquarters not later than 90 days after the close of the month for which data are being reported. Data that is not available on a monthly schedule

should be included on the next monthly report submitted after it becomes available. This data, and the period covered by the data should be noted in the Software application comment fields (e.g., "Gasoline and gasohol refunds shown in items 4(a) to (h). on this report cover the July 1 - September 30 period."). Similarly, missing data should be noted on the monthly reports where it is not available (e.g., "Gasoline and gasohol refunds are available quarterly only and will next be reported on the September report.").

551M Line by Line Input Instructions

Identifying Information

When a State enters the UPACS environment and selects the <Fuels and FASH> location, the menu under <Motor Fuels> will have another menu item labeled <FHWA-551M>. Select this option and then choose the submenu labeled <State 551M>, which will lead you a screen that will allow select a month and year and then create a new form. This screen is actually composed of four screen pages, which will be described below.

On the first of these four screens, there is space for the following entries:

State— By your log-in, the software application will know which State you are and will keep your State in its memory.

Year and month of sale or transfer—The Software application provides the month and year selection under the drop-down menu selections. Select the calendar <year> and the <month> for which the data are reported from the options provided. You must provide reports in order by month, i.e., March will not be accepted until January and February have been submitted and accepted.

The month entered should be the month of sale or transfer of the fuel volume being reported, rather than the month that tax collections are received by the State or the month that the FHWA-551M is submitted to FHWA. For example: in a State with a wholesale gasoline tax, the tax on a wholesale transaction that takes place in January is remitted to the State in February; the fuel volume for this transaction should be reported on the *January* report.

Units—Use the drop-down menu in the <Unit> box to indicate the units of measurement—gallons or liters—used in the report. To prevent errors, Form FHWA-551M should be reported in the same units in which the fuel-tax records are kept.

Instructions for Entering Fuel-Type Data in the Columns of Form FHWA-551M

On your first entry into the new application, you will be required to proceed thru input screens in which you will be defining your State's motor fuel types. With the changing market for motor fuels (increasing use of gasohol, the introduction of alternative fuels such as bio-diesel) and the wide variety of definitions of motor fuel developed by individual State legislation, FHWA found it necessary to expand the collection and understanding of the various definitions. This process will only need to be done on the initial use of the application and every January.

Fuel type—Columns (1) through (4) provide for reporting volume by fuel type. The following definitions are used for fuels to be reported in columns (1) and (2). If the State's definition of a fuel differs from the corresponding definition in this section, provide the volume data for the fuel on the form and record the State's definition of the fuel in the comment field associated with the data cell. This shall be done once a year (on the January report) unless the definition changes. If the definition of gasohol changes for your State, report this change in a comment field in the month that the change is implemented. Both motor gasoline and aviation gasoline (defined below) should be reported in column (1). To the extent possible, use Federal definitions of fuel types.

NOTE: It is important to remember that FHWA requirements treat gasoline\gasohol, and diesel\alternative fuels differently. When reporting gasoline\gasohol, the gross volume number in line one

should include all gallons of gasoline\gasohol recognized in a State. In FHWA reporting of diesel and alternative fuels, the gross volume number in line one should include on-highway gallons only.

Gasoline and Gasohol

Motor Gasoline: A complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, which have been blended to form a fuel suitable for use in spark-ignition engines. (10 CFR, 211-225, Appendix A)

Aviation Gasoline: Aviation gasoline includes only gasoline used in airplanes with internal combustion, piston engines (not jets or turboprops). A more technical definition is: a petroleum-based fuel designed for use in aircraft internal combustion engines and complying with MIL-G-5572 specification (or ASTM specification D-91-79). **Note: Jet fuel should not be included.** The Energy Information Administration, Department of Energy website can be used as source of aviation gas use if your State does not report it separately. The URL is: http://www.eia.doe.gov/oil_gas/petroleum/data_publications/prime_supplier_report/psr.html

Neat alcohol: Any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas. Neat alcohol should be included with gasoline in column (1) and quantities, if known, should be identified in a comment field associated with the cell where the data is entered.

Gasohol: A blend of motor gasoline with alcohol in which 5.7 percent or more of the product is alcohol. The term alcohol includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal, nor does it include alcohol with a proof of less than 190. Fuels meeting these criteria should be entered in column (2) of the data entry screen and the volume entered should include both the gasoline and alcohol components of the fuel. Amounts reported in column (2) should be excluded from column (1). All other gasoline-alcohol blends where alcohol is less than 5.7 percent of the finished volume should be included with gasoline in column (1).

Typically, most State fuel tax laws recognize only the 10 percent blend as gasohol, but a few States provide for alcohol producer or blender credits for other blend ratios. Records of such credits may be a source of data for completing form FHWA-551M. The lower blend ratios are sometimes used to meet the oxygenated fuel requirements for areas not meeting the National Ambient Air Quality Standards. The State Implementation Plan (SIP) for meeting air quality standards may be another source for gasohol information. Note that oxygenated gasoline made with ethers (MTBE or ETBE) is not gasohol and should be reported in column (1) as gasoline. For any State where gasohol is sold, the amount should be identified in column (2).

Diesel and Alternative Fuels

Diesel fuel volume (private and commercial highway-use and public highway use only) should be entered in column (3) of the data entry screen. Dyed diesel fuel should normally not be included in column (3) since dyed diesel fuel is not sold for highway use in highway vehicles. However, individual States may allow public vehicles to use dyed diesel fuel and in this limited case, dyed diesel could be reported as highway use diesel.

Treatment of Diesel Fuel Used in Public Vehicles

Most States cannot separately identify public use of diesel motor-fuel, and therefore are reporting public diesel as part of private and commercial diesel. The reasons this situation exists are the lack of a tax mechanism in many States to separately identify the publicly used fuel (no State legislation for exemption or refund of public diesel), and the complexity of State reporting from many sub-jurisdictions (such as counties or school districts reporting to the State). Only about seven States currently separate public diesel from other uses.

In past FHWA procedures, gallons of diesel fuel consumed in vehicles licensed as public vehicles were to be excluded from the FHWA data set. After studying the actual availability of this data, FHWA concluded that only a few States were able to identify public use gallons while most States could not. The options, then, were to force most States to collect, or in some manner generate or estimate the data, or for FHWA to change the requirements so those States who did have the data as we required, would be treated in a manner equal to the

other States, i.e., they would not be penalized for providing the data as FHWA requested. FHWA has chosen to modify its procedures to accept public use gallons for the purposes of attribution.

States do not need to modify their reporting procedures to accommodate this change. FHWA will make the necessary changes in its' internal analytical procedures to treat all States equitably on this issue.

Kerosene should be included in column (3) of the data entry screen **only if sold or blended for highway use** in public transit vehicles, on-highway public vehicles, or private, commercial vehicles.

Alternative fuels, including liquefied petroleum gases (LPG, butane, propane), compressed gas, liquefied natural gas, and all other alternative fuels need to be defined in the "Comments" section of the Form. In addition, all other alternative fuels should be identified on the Tax Rates and IFTA page showing the fuel tax rate and the effective date of the tax rate.

NOTE: Several cells in columns (3) and (4) are shaded. For States that tax diesel and LPG at the retail sale level, i.e., when they are placed in the tank of a highway vehicle, items such as losses and refunds are generally not applicable. Those States that tax diesel and LPG at the wholesale level and for which losses and refunds are applicable should subtract from the gross amounts actual losses and refunds for off-highway use and enter the resulting number in item 1, Gross Volume Reported.

Column (5) is the total of columns (1) through (4). In the Software application, these calculations take place automatically when data is entered in the columns.

New Data Entry Screens

With the implementation of the new software application for data input, FHWA has developed a method of defining State categories, which often have unique names for exemption or refunds that actually fit into a general category. To assist in making State data more uniform and consistent, FHWA developed a pre-data entry process that requires the placement of specific items into a general framework.

The general categories that FHWA has determined covers all situations of off-highway fuel use are listed below. The text in the parentheses picks up many of the various States' specific items, or is provided to help illustrate the kinds of activities covered in that category.

1. Agriculture (family farms, agribusiness)
2. Industrial/commercial (logging, mining, well drillers, production and hauling of natural resources, warehouse operations, refrigerated truck cooling units)
3. Construction (concrete mixing, tool power generators)
4. Public Use
 - a. Federal
 - i. Diplomatic or consular
 - ii. Mail delivery
 - b. State, county, and municipal
 - i. Public or private on-highway school (buses)
 - ii. Public or private transit
 - iii. Charity (meals on wheels, American Red Cross, etc.)
 - iv. Volunteer fire and rescue, ambulance
 - v. National Guard
5. Non-highway transportation
 - a. Aviation (airport operations, piston engine aircraft, but no jet fuel)
 - b. Boating (Recreational or business, but not ferries or commercial marine – river, waterways, Great Lakes, harbors, or open ocean)
 - c. Railroad operations
 - d. Pipeline operations
6. Distributor non-highway purposes
7. Adjustments
 - a. Assessments (treated as on-highway)
 - b. Over-payments
 - c. Losses

- i. Actual losses
 - ii. Loss allowance
8. Miscellaneous non-highway (other, space heating, maintenance, private roads, private property, street equipment, off-road recreational uses, auxiliary equipment)
9. Miscellaneous on-highway (other, turnpike, taxicabs, franchise, motor carrier, commuter van, airport livery)

The new software will ask you to provide your State's specific name for an item and ask you to put it into one of the categories listed above. It will also ask you to provide comments; FHWA will use these comments to review your selections and possibly suggest changes.

Gross Volume Reported—Calculate as accurately as possible the total consumption of motor fuel within the State during the month.

The major component of the gross volume is the tax returns of sellers (depending on the point of taxation in the State, the sellers are: position holders at fuel terminals, wholesalers, or retailers). Include the gross motor fuel sales reported by these taxpayers, including fully taxed sales, exempt sales, volume subject to full or partial refund, and sales taxed at a reduced rate. **Include** gasoline volume subject to exemption due to actual loss or subject to loss or shrinkage allowance. Aviation gasoline, but not jet fuel, should be included in the gross gasoline volume. **Exclude** export sales and dealer-to-dealer sales exempted to prevent double counting of tax payments. Also exclude non-highway use of diesel and alternative fuels (including actual losses of these fuels).

The tax returns of motor fuel users (generally IFTA returns) must be incorporated on the appropriate data entry screen. The gross volume reported by the sellers should be adjusted to reflect net use in the State.

Many States have difficulty correctly determining the revenue from IFTA transactions. We suggest that to derive revenue estimates, the State should take the net gallons and back into IFTA revenue by multiplying the gallons by the current State tax rate using cents per gallon as decimal dollars (i.e., write 25 cents per gallon as \$.25).

The gross volume reported is the sum of the components in Fully Tax Exempt volumes, Fully Refunded volumes, and Net Volume Taxed Sections. It is important to note that quantities that do not represent actual consumption should not be reported. A common example is a refund of an overpayment. This should not be shown as a fuel volume transaction. It is a monetary transaction, and the dollar amount should be reported on FHWA-556.

Losses—flat percentage—Show the volume on which shrinkage or loss allowances were calculated or claimed during the month. Some States make flat-percentage allowances for losses in handling. Others make allowances for actual losses (generally, not to exceed a certain percentage) such as losses through evaporation, destruction by fire, explosion, and so forth, or which permit a distributor to reconcile inventory.

As discussed on page 2-4, gasoline flat percentage loss allowances are not considered in FHWA's analysis for attribution, even though several States provide them by State legislation. For diesel fuel, actual losses should be **deducted** from the gross reported on Line 1 of the data entry screen, and not shown on the Form FHWA-551M. Gasoline flat percentage losses, if allowed by the State, should be included in gross gallons reported, and shown in the Loss, Flat Percent cell. A description of the percentage allowance and number of gallons excluded should be placed in the comment field associated with the data cell.

FHWA will make the appropriate use of the loss data – showing it in Tables indicating State practices, but counting these volumes as on-highway use in Tables related to attribution.

A number of States provide allowances (discounts) for prompt payment of taxes due, or for expense incurred by the taxpayer in keeping records and collecting the tax. Such allowances are merely deductions from the gross amount of tax due the State and do not in any sense affect the motor-fuel consumption. For this reason, these deductions should not be entered as loss allowances. They should be considered deductions from the tax revenue only, and therefore any allowance amounts for expenses, prompt tax payments, and so forth, are to be recorded as deductions from gross tax collections on form FHWA-556, item 1a(2).

In a few States, a percentage allowance is made in consideration of both losses in handling and expense of collection. Since losses in handling affect the distribution of motor fuel and allowances for expenses do not, it is necessary in the analysis of motor-fuel usage to divide the total allowance into two parts: one part representing the estimated losses in handling and any applicable actual losses, such as through evaporation, destruction by fire, explosion, and so forth; and the other part representing the estimated allowances for expenses.

Actual Losses—In many States, a distinction is made between losses as described above, and losses through destruction by fire, explosion, and so forth. Generally, any provable losses are tax exempt or eligible for refund if the tax has already been paid. Where the information is available, the actual loss volume should be reported here, and will be treated as gallons not consumed on the highway. Also, net gains or losses (i.e., volume expansion or shrinkage) resulting from temperature adjustments should be recorded here, with the appropriate sign (+ or -). Note: Expansion is a negative loss and shrinkage is a positive loss.

Other fully tax-exempt—Show only motor-fuel volume amounts completely exempt from your State's taxation. Amounts not representing motor fuel actually consumed in the State, such as export sales and fuel moving in interstate commerce, and amounts exempted to avoid duplication of tax payments should be excluded from Gross Volume, and from Fully Tax Exempt data entry lines.

All other categories of exemptions specific to your State should be listed. Typical categories of exemption include:

- State and local government use
- Non-highway use by distributors
- Non-highway use when sold in large quantities
- All non-highway use
- Specific classes of non-highway use, such as farm, industrial, railway, and aviation use

To the extent possible, when government exemption or refund categories are reported, separate "Federal" from "State/Local." Native American tribal government (if available) should not be combined with "Federal" or "State/Local," but should be reported on a separate line. The Software application provides an input procedure to allow each State to customize the form FHWA 551M to show their specific exemption types, and to define these categories to more general descriptions.

To the extent your State's data allows, always identify refund and exemption categories as highway use fuel or non-highway use fuel, and do not mix highway and non-highway uses in a miscellaneous category. The highway and non-highway gallons are treated differently in attributing motor fuel revenue to the Federal Highway Trust Fund. The total of various tax exempt and refund items will be entered automatically by the Software application.

Gross volume taxed—Show the gross volume subject to motor fuel taxes. The amounts reported should equal the Gross Volume reported minus the Exempt Volume reported. The Software application will automatically calculate this amount.

The Fully Refunded section of FHWA 551M should show for each month the volume of motor fuel sold or distributed on which refunds of the motor fuel tax were subsequently granted. Such a listing would correlate with the data reported in the Gross Volume Reported), or Gross Volume Taxed, which are based on the distributors' reports of the sales for the month.

In practice, however, refunds are generally paid to the motor fuel purchaser, and very few States reconcile motor fuel refunds by month of fuel purchase. Some States report refunds and corresponding fuel volumes (obtained by dividing the amount of refunded money by the refund tax rate) in the month in which refunds were paid. Most States maintain and report a record of refunds certified in each month, as well as refunds paid. Either approach is acceptable for form FHWA-551M.

The above categories are also used to distinguish refund categories. FHWA expects that the States will be able to place State-specific items into one of the above categories. Help screens within the input functions of the software application will provide guidelines, and you can call the FHWA motor fuel staff for additional

guidance. As the States provide the initial cut of this process, FHWA staff will be closely reviewing the results to ensure States are correctly defining these characteristics.

When changes in State tax law introduce a new refund category, please provide a brief narrative description with the first report on which it appears in the comment field associated with the data cell. This information allows FHWA to interpret the data properly in its analyses. Once a refund type has been assigned to a general category, the software application will retain it.

Net volume taxed—Record in this section motor fuel volumes taxed in your State, either at the maximum rate or another rate.

At full rate—The Software application will automatically enter the volume taxed at the full prevailing highway-user tax rate after deducting full exemptions, full refunds, and the volume taxed at less than the full rate (see below).

Items taxed at initial lower rate, partially exempt, partially refunded—Enter the fuel volume on which the State ultimately retains some tax payments, but less than the highway rate for the particular fuel type. This includes classes taxed at an initially lower rate (aviation is common), those granted a partial exemption or refund (such as transit in some States), and those categories for which only part of the initial tax payment is refundable (e.g., if 17 cents is the full tax rate, and 9 cents is refunded for an off-highway use, then the effective tax rate is 8 cents). Enter each category of use, or user-based special tax treatment, on a separate line.

Total—This item is the total of items contained in this section. The Software application will calculate this total automatically.

Other Input Screen Instructions

Item 1. Rate of tax at end of month, in cents per gallon or liter—Complete this item on every January report and whenever the fuel tax rates change. Give the basic rate(s) of motor-fuel tax as of the last day in the month in the blanks provided. Please specify the volume unit (gallon or liter) associated with the tax rate. Provision is made for several optional taxes such as environmental clean-up taxes, local option taxes that are applied uniformly across the State, and motor fuel inspection fees. If the State has a fuel tax levied as a percentage of price, rather than on a cents-per-volume basis, enter the percentage in the blank(s) and briefly explain the application basis (e.g., "5 percent of wholesale gasoline price excluding Federal tax") in the comment field associated with the data cell.

Provide the effective date of the tax rate changes reported. By effective date, FHWA means the last time the State changed the tax rate. In some States, the tax is indexed and changes annually or more frequently. In other States, the tax may not have changed for a decade or more.

Stratification of gasohol by blend ratio—In the input screen related to gasoline and gasohol, indicate the stratification of the gasohol volume reported into the three categories shown. Enter actual or estimated volumes (gallons or liters) or percentage shares.

INSTRUCTIONS FOR FORM FHWA-556

Form FHWA-556 is designed to record the actual collections of the State motor-fuel tax during a calendar or State fiscal year and to record other receipts incidental to the administration of this tax. It also shows, by major items, the distribution of tax receipts. Form FHWA-556 serves as a measurement of the flow of funds from collecting agency to expending agency. Receipts should be segregated to show revenues derived from gasoline (including gasohol and neat alcohol) (page 1, column (A)) and from other motor fuels (page 1, column (B)) separately. Total receipts and refunds should reconcile closely to the fuel volume reported on FHWA-551M with proper allowance for lag between amounts due and paid. If they do not, reconciliation should accompany FHWA-556.

Form FHWA-556 report should be compiled from records of the State motor-fuel tax collecting agency and other agencies responsible for the collection and distribution of the funds. However, if the only action taken by the collecting agency is to turn the receipts over to the State treasurer, who distributes the money to the

agencies that expend it, then it is preferable that form FHWA-556 be prepared from records of the State treasurer, auditor, or comptroller, depending on which of these officers maintains the authoritative record of the distribution of the funds concerned.

Page 1 of the 556 online submittal tool, is the user filer page, and contact information page, The Data Entry tab of the 556, is the data entry portion of the 556. In addition, users can make comments on the Comments tab of the 556.

Separate columns are *provided to record column (A) gasoline, gasohol, and neat alcohol taxes, column (B) diesel and other special-fuel taxes, and column (C) other receipts. All entries should be rounded to whole dollars.* Page 2 of the form contains space for entering the State name, the year, notes and comments, reconciliation with form FHWA-551M if needed, and a reference to identify the source of the records. In the following instructions, all items are numbered to correspond to the appropriate items on form FHWA-556.

Submittal of FHWA-556 must be submitted online in the Fuel/Fash software application (as with the 551M)

Item 1. Receipts for year—Enter the total collections from motor-fuel taxes and other fees and taxes incidental to motor-fuel tax administration as described below:

Item 1.a. Volume tax collections—Report the collections from fuel-volume taxes—taxes imposed per gallon or liter of fuel. There is usually a lag of 1 or 2 months between the use of the gasoline, as reported on form FHWA-551M, and the payment of the tax to the State. However, since the lag in any given year is very similar to the preceding year's pattern, collections should be reported in the year received.

Collections from the taxation of motor fuel used by interstate motor carriers, often referred to as motor-carrier road taxes or fuel use taxes, should be reported on form FHWA-556 and not on form FHWA-571. (Form FHWA-571, described in Chapter 5 of this Guide, is designed to record other taxes and fees on motor carriers that do not fall under the motor-fuel tax laws.)

Since motor fuel tax receipts, including IFTA revenues received from other States, are volume-tax receipts, they should be included with other volume-tax receipts in item 1.a. (1) or 1.a. (3), of columns (A) and (B) for gasoline, diesel, and alternative fuels respectively. The amounts refunded or credited to interstate motor carriers, or IFTA receipts sent to other States, should be reported in item 1 a (4) of columns (A) and (B) with other volume-tax refunds. Consequently, the net collections of motor-carrier road taxes, whether positive or negative, will be reflected in item 1 a (5), net receipts. Please note on page 2 if IFTA revenues have been included in the items discussed in this paragraph.

In order for the FHWA to be able to reconcile the receipts reported on form FHWA-556 and the fuel volume reported on form FHWA-551M, the following information should be footnoted by fuel type on page 2 of form FHWA-556:

- Reported IFTA fuel tax receipts—the funds remitted with the fuel tax returns under IFTA.
- Refunds or credits of fuel tax under IFTA.
- Net IFTA fuel tax receipts (may be either positive or negative)

Item 1 a (1) Gross collections by distributors. —Record the gross amount collected under the volume tax on motor fuel prior to deduction of allowances granted to distributors for collection expenses. Show total gasoline, neat alcohol, and gasohol tax receipts in column (A) and tax receipts from other motor fuels, including diesel, propane, butane, and other alternative fuels, in column (B).

Item 1.a (2) Less: distributor allowance for collection expense—Record the total amount of the cash allowances made during the year to distributors (or deducted by them) in consideration of prompt payment, the costs of collecting the tax and preparing reports, and so forth. Do not include loss allowances either here or in item 1.a (1).

Item 1.a (3) Gross receipts by State—Record the gross amount actually received by the State from the volume tax during the year. In States that make no allowances for distributors' collection expenses, items 1.a (1) and 1.a (3) should be identical.

Item 1.a (4) Less: refunds and credits—Actual refunds and credits of the motor-fuel tax issued during the year should be entered here.

Item 1.a (5) Net receipts—Record the net receipts of the volume tax remaining for distribution after payment of refunds.

Item 1.b. All other receipts under motor-fuel tax laws—Record the receipts from sources other than the volume tax. These receipts are collected as incidental to the administration of the motor-fuel tax laws or the inspection of motor fuel.

Item 1.b (1) Distributor and dealer licenses—Enter the amount collected from motor-fuel distributor licenses and from special dealer licenses, pump inspection fees, and other direct taxes or fees imposed on sellers of motor-fuel. Sales tax revenue from general retail licenses or chain store taxes, which are levied on all types of products sold by this type of business, are not regarded as taxes on motor fuel and should not be included on the report.

Item 1.b (2) Motor-fuel inspection fees—Show the amount of fees collected for the inspection of motor fuel. In some States, these fees are imposed merely to defray the cost of inspection; in others, they are a source of considerable revenue. It is desirable to exclude from the report, insofar as possible, all fees charged for the inspection of petroleum products other than motor fuels and also to exclude inspection fees paid on motor fuel used for non-highway purposes, such as agriculture, aviation, and so forth.

If the receipts from inspection fees on petroleum products are not segregated according to products inspected or their use, the amount received from the inspection of motor fuel may be estimated on the basis of data reported on form FHWA-551M or form FHWA-556. The amount thus estimated should be entered in item 1.b. 2). If estimates are made as outlined above, the entry in item 1.b (2) should be supported by a note or supplementary statement giving the total receipts from inspection fees and setting forth the computation by means of which the entry in item 1.b (2) was estimated.

Item 1.b (3) Fines, penalties, and interest—Report the amount of fines and penalties collected in connection with the administration of the motor-fuel tax and inspection laws. Also include interest on delinquent collections.

Item 1.b (4) Motor-carrier fuel tax registration (decals)—Report the income from the fuel tax registration decal fees required of motor carriers. States generally require motor carriers to display proof of fuel-tax registration in the form of a decal. Include the fees for decals issued under IFTA and any other base-State fuel tax agreement.

Items 1.b (5) Alternative fuel tax decals (in lieu of volume tax). —Many States provide for the issuance of decals or other markers to vehicles that burn alternative fuels, such as liquefied petroleum gases, liquefied natural gas, and compressed natural gas. The fees collected are in lieu of the collection of fuel tax on the fuel the vehicle consumes. Enter the income from such decals.

Items 1.b (6)-(9)—Space is provided here for other receipts that do not fall under the first five classifications of item 1.b. The nature of any entries in these four lines should be described in the space provided or in notes on page 2 of the form. State sales tax applied to motor-fuel purchases should be reported in item B 1 on Form FHWA-531. (See FHWA table S-106 in *Highway Taxes and Fees, How They Are Collected and Distributed* for examples and Chapter 8 of this Guide for instructions.)

Assessments are an example of receipts that may be reported in these lines. Assessments are taxes that the State determines, through audits or reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. Assessments should be reported for the year that payment was received, regardless of the year or years for which the assessments were made. If assessments are subsequently reduced or canceled, adjustments should be reported for the year in which the adjustments are made. The revenue represented by assessments should be reported on form FHWA-556, and identified a note on form FHWA-551M, page 2. Some

States cannot separate assessments from other motor fuel receipts and therefore should report assessments in item 1 a 3, Gross Receipts by State.

Some States have imposed special environmental taxes for leaking underground storage tanks or spill cleanup. These should not be reported on form FHWA-556 unless (1) the imposition is exclusively on motor fuels or (2) the rate for motor fuels differs from that imposed for any other petroleum products (heating fuel, jet fuel, etc.).

Items 1.b (10)—Enter the total of items 1 b (1) through 1 b (9).

Item 1.c. Net total receipts—Record total receipts for the year for each column.

Item 2. Non-highway dedications of volume tax from non-highway gasoline—Show the proceeds from the taxes on *non-highway* uses of gasoline (only) that were dedicated for the improvement and/or operation of *non-highway* facilities or for related activities. A typical example is the dedication of the receipts (known or estimated) from motorboat use of gasoline to construction and maintenance of boating facilities such as ramps and docks. Some States dedicate the revenue from aviation gasoline to an airport improvement fund. To be included in item 2., the funds must be *both* (1) from the taxation of gasoline used for non-highway purposes and (2) dedicated for non-highway purposes.

Item 3. Adjusted total receipts—Subtract item 2.e. from 1.c. and enter it here.

Item 4. Deductions by State collecting agency—Record the amounts retained or deducted by the collecting agency prior to depositing the net collections in the State treasury or otherwise disposing of them. The amount deducted may represent either actual amounts expended, or a flat percentage of collections.

In some cases, the total collections are deposited to the credit of the State highway agency fund, and expenses of the collecting agency are paid or appropriated from the fund. In such cases, no entry need be made in item 4., and the entire distribution should be shown in item 8. Collection expenses paid by State highway agencies should be deducted on form FHWA-531, item B.1.b., rather than on this form.

If collecting agency expenses are funded by another revenue source not reported in item 1., then that revenue source should be identified in a note, along with the actual expenditures of the collecting agency.

Item 4.a. Expense of collecting and administering volume taxes—Self-explanatory.

Item 4.b. Expense of inspecting motor fuel—The cost of inspection may be interpreted to include the cost of administering the fuel inspection laws as well as the actual inspection and testing. In States where the cost of motor-fuel inspection is not kept separately from the cost of inspecting kerosene and other petroleum products, the cost may be prorated on the same basis as the receipts from inspection fees and only the motor fuel portion reported on the form. In States that grant refunds for non-highway uses, it will be possible to compute, on a pro rata basis, the cost of inspecting motor fuel used for highway purposes. This reduced amount should be entered in item 4.b. When such computations are made, the details should be given in notes on the form or on an attached schedule.

Item 4 c—Record other costs or deductions by the collecting agency, such as those in connection with the miscellaneous receipts in items 1.b.

Item 4.d. Total—Add all the deductions recorded in item 4.

Item 5. Net proceeds available for distribution—Record net receipts after deducting item 4.d. from item 1.c.

Item 6. Balance undistributed at end of previous year—Any balances in the hands of the State-collecting agency, or to its credit, at the beginning of the year should be recorded in item 6. If the amount differs from that reported as undistributed at the end of the previous year, a note should explain the adjustment. If form FHWA-556 is prepared from the records of the State treasurer, auditor, or comptroller, the balance may be the amount on hand in a revolving fund; in some cases, this fund balance may need to be combined with any amounts in the hands of the collecting agency to account for the total amount of undistributed funds.

Item 7. Total funds available for distribution—Enter the sum of items 6. and 7.

Item 8. Amounts distributed—The allocation of motor-fuel revenues to the expending agencies or funds should be shown in item 8. In general, the distribution should be consistent with the provisions of table MF-106 in *Highway Taxes and Fees: How They Are Collected and Distributed*, or current statutes where they differ from those in table MF-106. In the event motor-fuel revenues, together with other road-user taxes, are placed in an intermediate clearing fund, such as a highway-users tax distribution fund, a balanced statement of the clearing fund should accompany form FHWA-556.

In several States, net income from inspection fees is credited to the State general fund. The prorating of receipts from inspection fees to exclude receipts from petroleum products other than motor fuel and receipts from motor fuel used for non highway purposes should be carried through to the data on distribution of these revenues.

Items 8.a.-8.j.—Use these lines as necessary to record the distribution of motor-fuel tax revenues as provided under State law—for example, funds allocated to counties or cities for roads, county general funds, schools, State general funds, and the State highway agency or department of transportation. (These distributions appear in table MF-106.) Amounts reported should be consistent with comparable amounts reported on forms FHWA-531 and FHWA-536.

Item 8.k. Total—Add all the amounts distributed in item 8.

Item 9. Balance undistributed at end of year—Enter the amounts remaining after deducting item 8.k. from item 7.