

Fuel Tax Evasion

Federal Highway Administration
Highway Information Seminar
2011

Fuel Tax Evasion

- ▣ Highway Use Tax Evasion
 - ▣ 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
 - ▣ Mislabeling of products
 - ▣ State
 - ▣ Daisy chain
 - ▣ Bootlegging
 - ▣ IFTA Issues

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

▣ Mislabeling of Product

- ▣ Mineral spirits
- ▣ Jet Fuel/Avgas

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▣ 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

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■ 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 Fuel 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

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Contact Information

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Fuel Tax Evasion

Questions?

Who?

What?

When?

Where?

How?

Why?