

Prorate and Fuel Tax Services

Prorate and Fuel Tax (PR&FT)

76 staff

- ▶ Five locations
- ▶ Core functions
 - Licensing and Fuel Tax Reporting
 - Collection of Fuel Taxes and Vehicle Registration Fees
 - Refund of State Fuel Taxes
 - Audits

Prorate and Fuel Tax Services

**Karla Laughlin
Administrator**

**Policy &
Communications
Section,
Paul Johnson,
Manager**

**Interstate
Trucking & Fuel
Tax Section,
Art Farley,
Manager**

**Finance &
Compliance
Section,
Thao Manikhoth,
Manager**

**Audit &
Investigation
Section,
Jeff Beach,
Manager**

When Fuel Tax is Imposed

State fuel taxes are imposed when:

- ✓ fuel is removed from a terminal rack,
- ✓ imported,
- ✓ produced, or
- ✓ blended in Washington



Fuel Tax Revenue Utilized for...

- ▶ **Highways and Transportation**

- Construction
- Road Maintenance
- Ferry System



- ▶ **Law Enforcement**

- State Patrol
- State Criminal Justice Activities



Common Terms

Supplier:

- ▶ Own inventory in bulk transfer-terminal system
- ▶ Remove fuel from the bulk transfer-terminal and sell the product

Importers:

- ▶ Companies who import fuel to Washington

Exporters:

- ▶ Companies who export fuel from Washington

Blenders:

- ▶ Companies blend non-taxed product with taxed fuel
- ▶ Manufacturers of alternative fuel

Common Terms - continued

Distributor:

- ▶ They are the middlemen in fuel distribution system and are known as “Jobbers”
- ▶ Purchase fuel from suppliers

Retailers:

- ▶ Service stations & convenience stores selling fuel to end users

Common terms - continued

Bulk Transfer Terminal Systems:

- Refineries, pipelines, vessels, and terminals

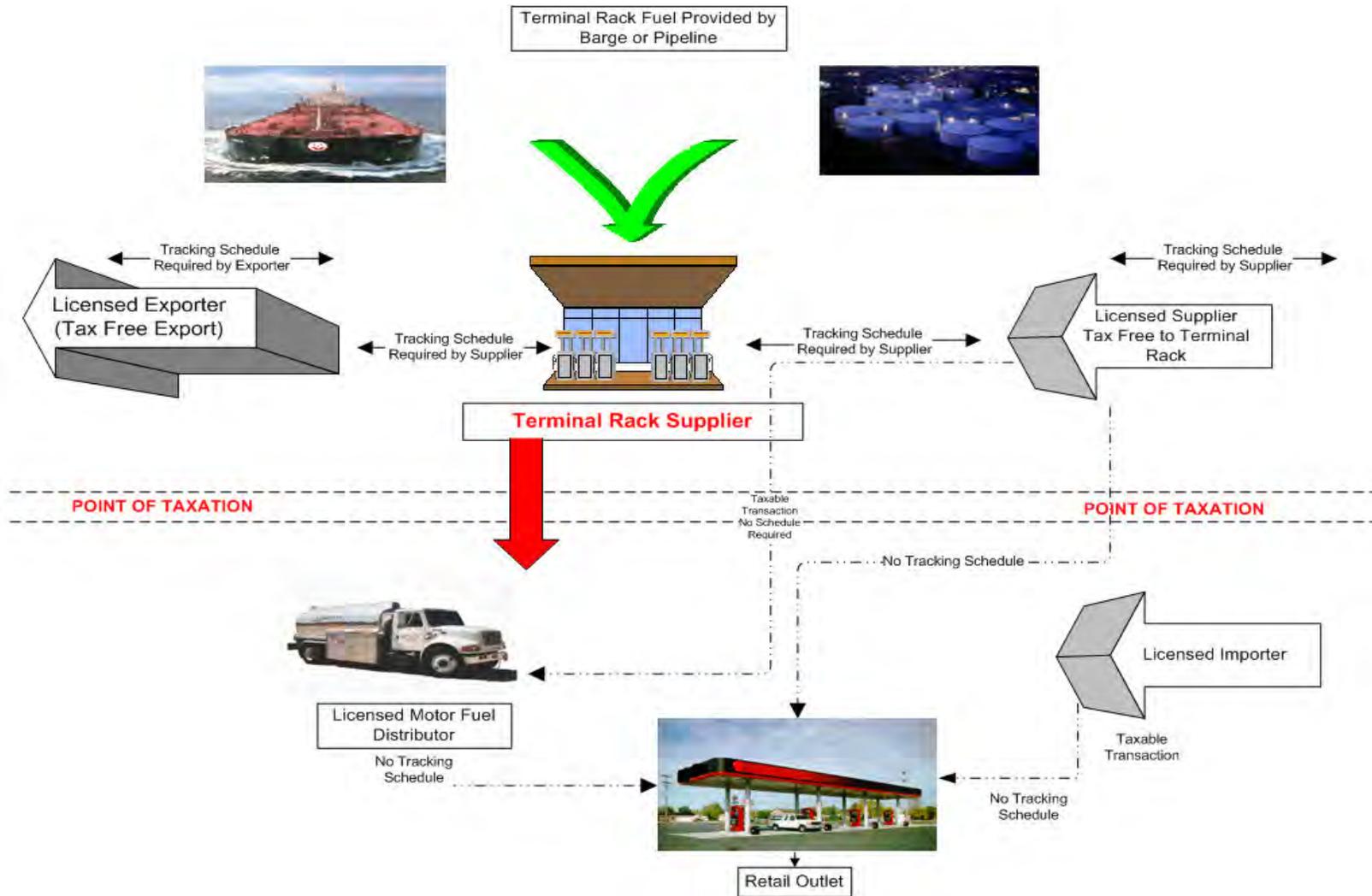
Terminal:

- Bulk fuel storage facility supplied by pipeline and vessel

Terminal Rack:

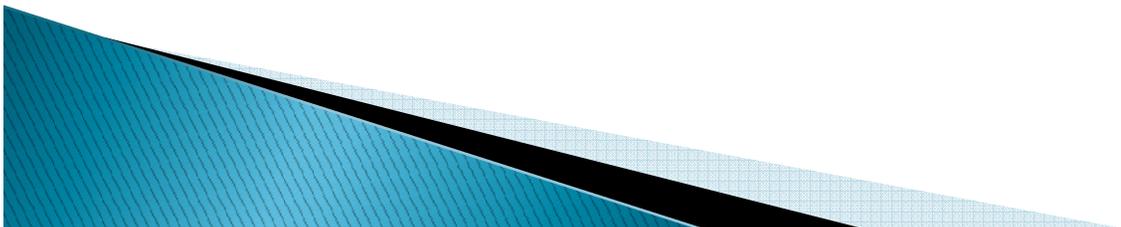
- A giant gas pump located at a terminal to fill highway tankers
- Distributors remove fuel for retailers and bulk fuel users

Tax at the Rack – Motor Fuel



Example:

- ▶ Supplier owns fuel at Terminal Rack
- ▶ Distributor purchases fuel from Supplier
- ▶ Distributor pays taxes to Supplier
- ▶ Supplier files tax return and remits fuel taxes to DOL
- ▶ Distributor sells to construction company with taxes included
- ▶ Construction company files refund claim for off-road use



Exemptions to Fuel Tax

Motor Fuel:

- Non-highway use and auxiliary equipment
- Marine use
- Public transportation governmental entities



Diesel Fuel:

- Road maintenance and construction (WSDOT, cities, & counties)
- Publicly owned fire fighting equipment
- U.S. Government vehicles
- Off-highway use (bulldozers, logging trucks)
- Marine use
- Public transportation governmental entities



Other:

- Heating oil
- Aircraft – commercial aircraft, testing and manufacturing



Collection & Refunds of Fuel Tax

Fuel Tax Revenues Collected

- ▶ \$1.2 billion annually

Process and Reconcile of Tax Returns

- ▶ Motor Fuel, Special Fuel, Aircraft Fuel, and Heating Oil
- ▶ 11 licensed tax types and 866 licensees

Refund

- ▶ Issue 12,780 refunds totaling \$67 million in CY 2009

Tribal Fuel Tax Agreements

- ▶ Governor enters into agreements (delegated to the Director of DOL)
- ▶ Federally recognized tribes, reservations in WA
- ▶ Motor fuel and special fuel taxes
- ▶ Fuel taxes included in price of fuel delivered to tribally-licensed retail station
- ▶ PR&FT is responsible for administering fuel tax agreements

Three Types of Agreements:

Per Capita Agreement (Based upon formula)

Annual amount of fuel tax refunded to tribe -

- Average per capita consumption of gasoline
- Number of enrolled tribal members in service area
- Current state fuel tax rate

75% Refund and 25% State Tax Agreement

- Tribes purchase fuel, state tax included
- Tribe receives 75 percent of state fuel tax revenue collected as refund and state retains 25 percent as state tax

Consent Decree

- A judicial decree
- Court's approval of agreement between parties to resolve dispute

Tribal Fuel Tax Agreements 2009

21 Total Agreements

- 6 - Per Capita Formula
- 14 – 75% Refund and 25% State Tax
- 1 of the 14 are Consent Decrees



Revenue and Refunds

- Approximately \$18.6 million fuel tax refunds (all agreement types)
- Revenue to state from 75/25 Agreements - \$4.6 million

Policy & Communications

Managing policy and communications for PRFT, to include:

- Legislation, Policies, RCW & WAC updates
- Public Disclosure
- Project Management
- Grants & Contracts
- Hearings Officer
- Liaison – Systems Support
- External Communication (reports, data, stakeholders)

Communications...

Provide stats and data to the following:

- ✓ Federal Government Entities - Federal Motor Carrier Safety Administration and Federal Highway Administration
- ✓ State Agencies
- ✓ Legislature
- ✓ Industry Associations
- ✓ Public Organizations
- ✓ Individuals

Interstate Trucking & Fuel Tax

- **Manage Two International Agreements**
- **Data Share into Federal Programs**
 - ✓ Commercial Vehicle Information Systems and Networks Program (CVISN)
 - ✓ Performance Registration Information Systems Program (PRISM)



International Agreements Types

International Registration Plan (IRP)

- ✓ Commercial Vehicle Registration Fees
- ✓ 59 jurisdictions = 48 states, Washington D.C., and 10 Canadian Provinces

International Fuel Tax Agreement (IFTA)

- ✓ Collection of Fuel Taxes
- ✓ 58 jurisdictions = 48 states and 10 Canadian Provinces

Federal Requirements

- ✓ Participation is mandatory; one stop-shop for interstate commercial vehicle registration and fuel tax licensing
- ✓ Approximate: 4,000 companies/30,000 vehicles
- ✓ IRP & IFTA Revenue received = \$54 million annually

Finance & Compliance

Motor Carrier Financial Unit:

- ▶ Exchange IFTA & IRP data with other jurisdictions
- ▶ Distribute fuel taxes/licensing fees to other jurisdictions
- ▶ Reconcile revenues received from other jurisdictions

Financial Services Unit:

- ▶ Account and reconcile financial transactions
 - Reconcile all fuel tax revenues received
 - Approve or deny refunds
- ▶ Issue various assessments (i.e. deficiency assessments for IFTA)

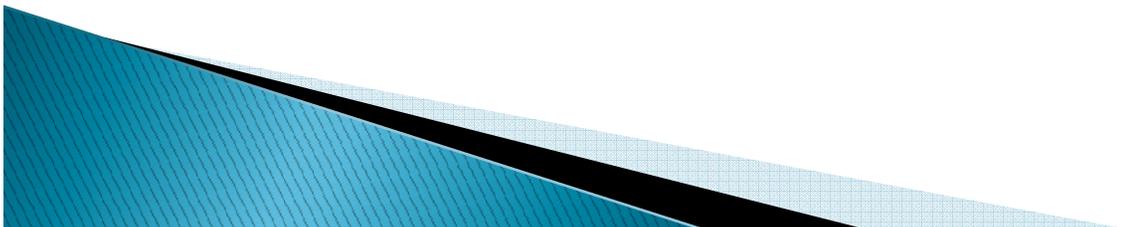
Finance & Compliance - continued

Compliance Unit:

- ▶ Collect unpaid fuel taxes and proportional registration fees
- ▶ Negotiate deferred payments contracts and settlement agreements

Fuel Tax Refund Unit:

- ▶ Process 6,600 refunds annually for refund permit holders
 - Examples: boaters, farmers, construction, etc.
 - 13 month statutory time limit



Audit & Investigations

Audit, Prorate and Fuel Tax Licensees and Refund Permit Holders

- ▶ Auditors compare and reconcile tax returns to licensees' records
 - 400 audits conducted annually
 - Audit Selection: 3% Mandated IFTA/IRP, Random, or Referral
 - Out-of-State Audits – Major Oil Companies
 - DOL audited every 4 years National IRP/IFTA Associations

Audit & Investigations

DOL partners with WSP to investigate:

- Dyed Special Fuel
 - ✓ Red Dye Injected into Diesel Fuel
 - ✓ Illegal Use
- Illegal imports
 - ✓ Trucks, railroads, barges
- Assessments
 - ✓ Taxes, penalties, and interest



Prorate and Fuel Tax Staff

Karla Laughlin, Administrator

664-1811

klaughlin@dol.wa.gov

Paul Johnson, Manager
Policy & Communications

664-1844

pajohnson@dol.wa.gov

Thao Manikhoth, Manager
Finance & Compliance

664-1833

tmanikhoth@dol.wa.gov

Art Farley, Manager
Interstate Trucking & Fuel Tax

664-1820

afarley@dol.wa.gov

Jeff Beach, Manager
Audit & Investigation

664-1876

jbeach@dol.wa.gov