FYI Excise 8
International Fuel Tax Agreement (IFTA)

The International Fuel Tax Agreement (IFTA) is an agreement between member jurisdictions to simplify the reporting of motor fuel use taxes. One tax return is filed with the base jurisdiction for fuel consumed in all member jurisdictions. All 48 contiguous states and 10 Canadian provinces are members. A complete list of the member jurisdictions can be found at *www.iftach.org.*

Each jurisdiction assigns its own tax rates to each of the various fuel types. Each jurisdiction may define what constitutes taxable activity and what is tax-exempt.

DEFINITIONS

"Applicant" is the person in whose name the uniform application for licensing is filed with a base jurisdiction for the purpose of motor fuel use tax reporting.

"Base Jurisdiction" means the member jurisdiction where qualified motor vehicles are based for vehicle registration purposes. The Base Jurisdiction is where the operational control and operation records of the licensee's qualified motor vehicles are maintained or can be made available, and where some travel is accrued by qualified motor vehicles within the fleet. The commissioners of two or more affected jurisdictions may allow consolidation of several fleets that would otherwise be based in two or more jurisdictions.

"In-Jurisdiction Distance" means the total number of miles or kilometers operated by a licensee's qualified motor vehicle within a jurisdiction including miles/kilometers operated under an IFTA temporary permit. In-jurisdiction distance does not include miles/kilometers operated on a fuel tax trip permit or exempted from fuel taxation by a jurisdiction.

"Jurisdiction" means a State of the United States, the District of Columbia or a Province or Territory of Canada or a State of the United Mexican States.

"Lessee" means the party acquiring the use of equipment with or without a driver from another.

"Lessor" means the party granting the use of equipment with or without a driver to another.

"Licensee" means a person who holds an uncancelled agreement license issued by a base jurisdiction.

"Motor Fuels" means all fuels placed in the supply tank of qualified motor vehicles.

"Person" means an individual, corporation, partnership, association, trust or other entity.

"Qualified Motor Vehicle" means a motor vehicle used, designed or maintained for transportation of persons or property and: (1) having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms, or (2) having three or more axles regardless of weight; or (3) is used in combination, when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle weight or registered gross vehicle weight. Qualified motor vehicle does not include recreational vehicles.

"Reporting Period" means a period of time consistent with the calendar quarterly periods of January 1 - March 31, April 1 - June 30, July 1 - September 30, and October 1 - December 31.

"Temporary Permit" means a permit issued by the base jurisdiction or its agent to be carried in a qualified vehicle in lieu of display of the permanent annual decals. A temporary permit is valid for a period of 30 days and is vehicle specific to give the carrier adequate time to affix the annual permanent decals.

"Weight" means the maximum weight of the loaded vehicle or combination of vehicles during the registration period.

APPLICATION, LICENSE, AND DECAL

Any person who is based in a member jurisdiction and operates a qualified motor vehicle(s) in two or more member jurisdictions is required to obtain an IFTA license unless an election is made to satisfy motor fuels use tax obligations on a trip-by-trip basis.

To obtain a Colorado-based IFTA license complete and submit an International Fuel Tax Agreement (IFTA) Form. Download this form from the Web site at www.TaxColorado.com Mail the original form to the Colorado Department of Revenue, Denver, CO 80261-0013 and retain a photocopy of the completed form for records.

An IFTA license can be obtained at the same time a truck is registered for IRP. It is required a truck be registered before the IFTA license can be obtained.

As the base jurisdiction, Colorado will issue one IFTA license to the qualified applicant. The applicant is required to make copies of the IFTA license so that one copy can be carried in each qualified motor vehicle. A vehicle will not be considered to be operating under IFTA unless there is a copy of the license in the vehicle. Failure to display a copy of the IFTA license may subject the vehicle operator to the purchase of a trip permit. The IFTA license is valid for the current calendar year and expires December 31.

The qualified applicant will also be issued two IFTA decals for each qualified motor vehicle in the fleet. The IFTA decal must be placed on the lower, rear exterior portion of the cab's passenger side and driver's side. Failure to display IFTA decals in the required location may subject the vehicle operator to the purchase of a trip permit. The IFTA decals are issued annually and are not vehicle specific.

To order additional IFTA decals throughout the year, call (303) 205-8205. Have the Colorado account number ready when calling.

To be qualified to operate in all member jurisdictions without further licensing requirements or identification requirements in regard to motor fuel use taxes be sure to have a valid IFTA license and IFTA decal.

Failure to comply with all the requirements shall be grounds for suspension or revocation of the license under the terms of the Agreement.

Licenses are automatically renewed provided there are no delinquencies on the account and all tax reports have been filed.

ACCOUNT CANCELLATION

Cancel a Colorado IFTA account by submitting a written request or an Account Closure Form (DR 1102) along with the IFTA license and IFTA decals that were issued at the time of application.

RECORDKEEPING AND AUDIT INFORMATION

IFTA carriers are subject to audit as a provision of participation in the program. IFTA carriers are required to retain all records to substantiate tax reports for four (4) years from the due date of the return or date filed, whichever is later. Recordkeeping periods are longer if reports or returns are not filed.

IFTA audits are conducted to verify that the fuel used and mileage is correctly reported on IFTA quarterly tax returns. The Field Audit Section audits the records of Colorado licensees on behalf of all member jurisdictions.

A complete record of all fuel purchased, received, and used in the conduct of business must be maintained. These records must contain the following:

1. The date of each receipt of fuel.
2. The name and address of the person from whom the fuel was purchased or received.
3. The number of gallons received.
4. The type of fuel.
5. The vehicle or equipment into which the fuel was placed.

Detailed mileage records on an individual vehicle basis must be maintained. These records must contain the following:

1. Total number taxable and nontaxable gallons of motor fuel.
2. Total miles traveled for taxable and nontaxable use.
3. Mileage and taxable/non-taxable usage recaps for each vehicle for each jurisdiction in which the vehicle operated.

To obtain credit on the tax report for tax-paid purchases on a jurisdictional basis, the following must be kept in your records: a receipt, invoice, credit card receipt, automated vendor generated invoice or transaction listing, or microfilm/microfiche of the receipt or invoice that shows evidence of the purchase and that tax was paid. An acceptable receipt or invoice taken as credit must include:

1. Date of purchase.
2. Seller's name and address.
3. Number of gallons purchased.
4. Fuel type.
5. Price per gallon or total amount of sale.
6. Unit numbers.
7. Purchaser's name. In the case of a lessee/lessor agreement, receipts will be accepted in either name, provided a legal connection can be made to the reporting party for that purchase.

In the case of withdrawals from licensee-owned, tax-paid bulk storage, credit may be obtained if the following detailed records are maintained:

1. Date of withdrawal.
2. Number of gallons.
3. Fuel type.
4. Unit number.
5. Purchase and inventory records to substantiate that tax was paid on all bulk purchases. Inventory shall be maintained on first-in, first-out basis.

Noncompliance with any recordkeeping requirement may be cause for revocation of the license and disallowance of claimed credits. A licensee may request that its license be canceled. For more information, please see FYI Excise 10 IRP and IFTA Recordkeeping Requirements.

FUEL TAX REPORTING REQUIREMENTS

After receiving the IFTA license, the department will send the International Fuel Tax Agreement Tax Report (DR 0122) which must be completed and filed quarterly with payment of any tax that is due. All activities in member jurisdictions must be listed on the report form.

File the form now through Revenue Online, (*www.Colorado.gov/RevenueOnline).* If you cannot use Revenue Online, download this form at *www.TaxColorado.com,* the Taxation Web site. Simply fill in the form with the required information and it will calculate the IFTA fuel tax return. Print the completed return and mail the original form to the Colorado Department of Revenue, Denver, CO 80261-0013.

The Colorado special fuel tax rate is 20.5 cents per gallon. Colorado allows IFTA qualified vehicles powered by gasoline to report gasoline fuel use tax at the rate of 22 cents per gallon. This allows an IFTA licensee to report and pay gasoline tax on the amount of fuel consumed while traveling in Colorado.

The IFTA tax reports are due on the last day of the month immediately following the end of each reporting period. If the last day of the month falls on a Saturday, Sunday or legal holiday, the next business day shall be considered the due date. Reports must be postmarked on or before the due date to be considered timely.

IFTA reports not filed by the due date will be assessed a penalty of $50 or 10% of the total amount of tax due, whichever is greater. Interest will also be assessed at the rate of 1% per month for each state for which tax is due.

Each fuel type must be reported on a separate tax report. Clear photocopies of the International Fuel Tax Agreement (IFTA) Tax Report (DR 0122) may be used. Photocopies must show the correct filing period. When reporting more than one fuel type, each tax report is considered a separate tax return.

After filing the first IFTA tax return, Colorado will pre-print the jurisdictions and fuel tax rates reported for the previous quarter on the next IFTA tax return. If traveling in other jurisdictions, add those jurisdictions on the tax return.

When the department mails each quarterly IFTA tax return, a fuel tax rate schedule and filing instructions will be included. The rate schedule will provide the current fuel tax rates for each fuel type by jurisdiction that must be used when completing the quarterly IFTA fuel tax return.

The base jurisdiction shall audit its licensees on behalf of all member jurisdictions. This shall not preclude another jurisdiction from also auditing a licensee.

The appeal process shall be conducted in accordance with the procedures established by the base jurisdiction.

Tax reports must be filed even if there is no tax due or there were no operations for the reporting period.

TAX CREDITS

When filing the International Fuel Tax Agreement Tax Report" (DR 0122), the tax amount on each jurisdiction detail line can be tax or credit due. When the tax amounts for all jurisdictions are added together, the net result will be tax due, for which a payment must be remitted, or credit that may be refunded to the taxpayer.

Credit will be refunded if all motor fuel taxes, penalties, and interest have been paid to member jurisdictions. The request for the refund of a credit balance must be indicated on the tax report.

The credit for special fuel tax paid at Ports of Entry has been eliminated for IFTA licensees. The miles covered by fuel tax trip permits should be excluded from taxable miles on the IFTA tax report but not in the computation of miles per gallon.

Tax paid credit will not be allowed on the IFTA tax report for fuel used off-road or used to operate a power take-off unit. A separate claim for refund must be made to the state in which the off-road tax-exempt use occurred.

BOND REQUIREMENT

Bonds will not be required except when a licensee fails to file timely reports, when taxes have not been remitted or when an examination of the account indicates a financial guarantee is necessary.

The bond (if required) must be twice the estimated average net tax liability for the quarterly reporting period.

A bond may be in the form of surety bond or certificate of deposit.

PASSENGER MILE TAX

IFTA license holders who are owners and operators of commercial passenger carrying vehicles designed for 14 passengers or more are required to pay a passenger mile tax. A passenger-carrying vehicle that makes two trips or less each month in Colorado is allowed to pay the tax on a trip-by-trip basis. The fee is $25 or the actual tax, whichever is greater. The formula is to multiply $0.001 by number of passengers by number of Colorado miles. These taxes can be paid at any Colorado Port of Entry. IFTA license holders can apply for a passenger mile tax account and report taxes on a quarterly basis to the Colorado Department of Revenue.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed, and/or approved these FYIs.