

taxable gallons per jurisdiction are multiplied by the jurisdiction's tax rate. The result is either a tax due or credit for each jurisdiction. When the jurisdiction's tax due or credit is netted against the other jurisdictions, the licensee owes additional tax or is due a credit of tax from its base jurisdiction. The base jurisdiction transfers the taxes or credits due to all the jurisdictions in which its licensee has traveled. Reported miles and gallons of fuel are substantiated by the records maintained in accordance with IFTA requirements. A higher MPG may indicate greater fuel efficiency, which in turn indicates the operating vehicle needs less fuel to travel. Likewise, a lower MPG may indicate higher fuel consumption and therefore a higher number of gallons in fuel used to travel. In instances where the licensee cannot provide the required records to substantiate the MPG calculated on the returns, the base jurisdiction may determine the MPG for the licensee during an audit.

The Bureau contacted Petitioner and scheduled a meeting to review their fuel purchase information and distance logs as required by IFTA. The Bureau discussed with Petitioner the use of sampling to determine the accuracy of the mileage and fuel Petitioner reported on their IFTA returns. Three quarterly filing periods, the 2nd quarter in 2021, the 3rd quarter in 2022, and the 1st quarter in 2024 were chosen by the Bureau and Petitioner agreed they were representative of their operations.

For the sample period, Petitioner reported an average of 8.34 MPG on their IFTA returns. However, with the information provided by Petitioner, the Bureau calculated an even higher MPG, which they attributed to missing/unreported fuel records.

The *Transportation Energy Data Book: Edition 40*, lists an average MPG for similar vehicles in comparable industries as 6.0 MPG. Therefore, due to the lack of the records required

to support the reported MPG, the Bureau used 7.5 MPG to calculate Petitioner's taxable gallons in each jurisdiction, made the following adjustments, and issued a Notice.

- 8,010 gallons of fuel were denied as tax paid gallons in the 2nd quarter of 2021, due to the lack of fuel purchase invoices.
- 41,882 miles and 6,181 gallons of fuel were unreported in the 3rd quarter 2022 IFTA returns.
- 3,279 gallons of fuel were denied as tax paid gallons in the 1st quarter of 2024 due to lack of fuel purchase information.

Petitioner protested the Notice, stating they had additional 2021 fuel documentation for review. The Bureau acknowledged Petitioner's protest and Petitioner provided records that were adequate to modify the Notice.

After reviewing the additional records for 2021, the Bureau modified the Notice and sent the recalculations for Petitioner's review. Petitioner did not accept the revised Notice, and the Bureau forwarded the file to the Appeals Unit (Appeals) for administrative review.

Appeals sent Petitioner a letter outlining the methods available for redetermining a Notice. Petitioner responded and scheduled an informal hearing. During the informal hearing, Petitioner argued the 7.5 MPG used by the Bureau to calculate the taxable gallons for each jurisdiction is incorrect and it should be 8.6.¹ Petitioner acknowledged the records required to support the 8.6 MPG were missing but explained it was because their records were with the reporting service who prepared their IFTA returns and they could not be reached. Petitioner also acknowledged some of the quarterly returns submitted on their behalf contained incorrect information.

¹ Petitioner presented dashboard images to support his claim of 8.6 MPG.

LAW AND ANALYSIS

Idaho is required to participate in IFTA according to section 63-2442A(1), Idaho Code:

The commission may enter into cooperative agreements with other jurisdictions for exchange of information and auditing of distributors, dealers and users of motor fuels. The commission shall participate in the international fuel tax agreement as required by the intermodal surface transportation efficiency act of 1991, Public Law 102-240, 105 Stat. 1914, including subsequent amendments to that agreement.

The Tax Commission audits approximately 3 percent of the IFTA licensees a year as required by the IFTA Audit Manual A250:

Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of 3 percent per year of the number of IFTA accounts required to be reported by that jurisdiction on the annual reports filed pursuant to the IFTA...

IFTA licensees agree to comply with all tax reporting, payment, record maintenance, and display requirements outlined in IFTA. IFTA procedures Manual P510 addresses the retention and availability of records and states in part:

A licensee shall retain the records of its operations to which IFTA reporting requirements apply for a period of four years following the date the IFTA tax return for such operations was due or was filed, whichever is later, plus any period covered by waivers or jeopardy assessments.

A licensee must preserve all fuel and distance records for the period covered by the quarterly tax returns for any periods under audit in accordance with the laws of the base jurisdiction.

On request, the licensee shall make such records available for audit to any member jurisdiction.

The IFTA Procedures Manual governs the records requirements to support distance, fuel, and the tax-paid fuel purchases reported. Section P550 governs fuel records maintenance and states in part:

.100 The licensee shall maintain complete records of all motor fuel purchased, received, or used in the conduct of its business, and on request, produce these records for audit. The records shall be adequate for the auditor to verify the total

amount of fuel placed into the licensee's qualified motor vehicles, by fuel type.

.110 Retail fuel purchases include all those purchases where a licensee buys fuel from a retail station or a bulk storage facility that the licensee does not own, lease, or control.

.200 The base jurisdiction shall not accept, for purposes of allowing tax-paid credit, any fuel record that has been altered, indicates erasures, or is illegible, unless the licensee can demonstrate that the record is valid.

.220 The base jurisdiction shall not allow a licensee credit for tax paid on a retail fuel purchase unless the licensee produces, with respect to the purchase:

- .005 a receipt, invoice, or transaction listing from seller,
- .010 a credit card receipt,
- .015 a transaction listing generated by a third party, or
- .020 an electronic or digital record of an original receipt or invoice

.300 For tax-paid credit, a valid retail receipt, invoice, or transaction listing must contain:

- .005 the date of the fuel purchase
- .010 the name and address of the seller of the fuel (a vendor code, properly identified, is acceptable for this purpose)
- .015 the quantity of fuel purchased
- .020 the type of fuel purchased
- .025 the price of fuel per gallon or per liter, of the total price of the fuel purchased
- .030 the identification of the qualified vehicle

In Petitioner's case, they either did not provide or did not maintain adequate records to substantiate its fleet miles, jurisdictional miles, and fuel purchases. Therefore, Petitioner's calculated MPG cannot be substantiated, and the Tax Commission finds the Notice, as modified by the Bureau, is an accurate determination of the additional fuel taxes due.

On appeal, a deficiency determination issued by the Tax Commission "is presumed to be correct, and the burden is on the taxpayer to show that the Tax Commission's decision is erroneous." *Parker v. Idaho State Tax Comm'n.* 148 Idaho 842, 845, 230 P.3d 734, 737 (2010) (citing *Albertson's Inc. v. State Dep't of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984)).

The Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Here, Petitioner did not provide adequate evidence. They have not met their burden.

THEREFORE, the modified Notice is hereby APPROVED with interest calculated at the rate set forth in Idaho Code section 63-3045(6), in accordance with the provisions of this decision and is AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, and interest:

<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$11,959	\$3,871	\$15,830

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of Petitioner's right to appeal this decision is enclosed.

DATED this _____ day of _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2025,
a copy of the within and foregoing DECISION was served by sending the same by United States
mail, postage prepaid, in an envelope addressed to:

Receipt No.

[REDACTED]

[REDACTED]