

FTRF Auditor Manual

Auditor Responsibility and Standards

Auditor Accountability and Time Reporting

Accountability Guidelines

Audit Process & Procedures

IFTA

IRP

Full Fee

Form 75

Distributor

Updated

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Purpose

The purpose of this manual is to provide guidance to auditors on conducting fuels tax and registration fee audits and to provide information relating to work as an auditor and as a State Tax Commission employee.

The manual provides a framework specific to the work performed by an FTRF auditor. When making audit determinations and presenting audit results, auditor judgment is important and can provide for deviations from the guidelines set forth in this manual with manager approval. The relevant circumstances to support any deviation(s) must be documented.

Additional information is provided in this manual to support the auditors understanding of policies and procedures for ISTC employees and the various associated programs, tax types, resources, etc.

S100 • Auditor Responsibility and Standards

S101 • General Auditor Responsibilities

The State of Idaho expects its employees to meet the highest standards of professional and ethical conduct. Since the State Tax Commission is charged with the responsibility of enforcing Idaho's complex tax laws, Tax Commission employees must be especially aware of the need to constantly meet these standards. The agency's personnel manual is controlling in any conflicts between it and this audit manual in Sections regarding employee conduct.

A Code of Ethics & Professional Conduct applies to all Tax Commission employees. Auditors are required to read this policy and understand its content; intentional disregard of procedures and guidelines may lead to disciplinary action. Guidelines for the confidentiality of taxpayer information are incorporated within this manual.

S105 • Auditors' Responsibility to the Taxpayer

The effectiveness of the Tax Commission in serving the public interest hinges upon taxpayers' perception of the Tax Commission and its employees. Auditors are expected to conduct themselves in a manner that enhances public respect for, and confidence in, the auditor and the Tax Commission. Auditors must be diplomatic, courteous, and professional. They must perform their duties in an impartial and conscientious manner and avoid any appearance of impropriety.

Further, Idaho's Taxpayer Bill of Rights, created as [Title 63 Chapter 40](#) in Idaho Code, provides additional guidance as to rights the taxpayers' have when dealing with the Tax Commission, as well as providing limitations on conduct for agency employees. See Appendix F for additional information regarding Taxpayer Bill of Rights and the auditor's responsibility to the taxpayer.

S115 • General Standards for Auditors

Auditors must adhere to the principles of auditing. Due professional care imposes a responsibility on the auditor to employ the standards listed below when auditing or reviewing taxpayer records:

- A. The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
- B. In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor or auditors.
- C. Due professional care is to be exercised in the performance of the examination and the preparation of reports.

Auditors of the Commission are required to act professionally and strive towards the goals noted below:

- A. Keep abreast of changes in fuels tax and registration laws, rules and policy as provided by management. Be aware of new methods and techniques in the field of auditing for those tax types.
- B. Disclose to your supervisor any potential conflict of interest involving audit work.
- C. Maintain integrity with regard to all audit decisions and procedures.
- D. Ensure that work is adequately planned and assistants, if any, are properly supervised.
- E. Sufficient, competent, evidential documentation is to be obtained through inspection, observation, inquiries and confirmation to afford a reasonable basis for judgments and decisions regarding the areas under examination.
- F. Auditors should present concise reports and work papers to substantiate taxpayer's compliance or noncompliance with Fuels Tax and Registration laws and rules.

S120 • Auditor Integrity

Proper functioning of the Commission requires that it, the courts, other State agencies, and the public be able to rely on the truthfulness of Commission employees in matters of official interest. Matters of official interest include: transactions with taxpayers, other State agencies, or fellow employees; entries on tax returns, work reports of any nature or accounts of any kind; vouchers, leave requests, application forms, and any other forms which serve as a basis for appointment, reassignment, promotion, or other personnel actions; and affidavits or transcripts of testimony, whether or not made under oath. An auditor may be subjected to disciplinary action for intentionally making false or misleading verbal or written statements in matters of official interest.

S125 • Conflicts of Interest and Auditor Standards

A conflict of interest is a situation where an employee's private interest, usually of a financial or economic nature, conflicts with or raises a reasonable question of conflict with their official duties and responsibilities.

An auditor, upon receiving an assignment involving a person acting either as principal or agent, with whom he has had social, business or other relationships of a nature that might raise a conflict of interest, or give the appearance of impairing the auditor's impartiality or independence, will discuss with their supervisor the possible need to have the audit reassigned. Supervisors will resolve questions of doubt in the manner least likely to raise any actual or perceived conflict of interest. An auditor will not perform an audit that creates an actual or perceived conflict of interest.

The following are some of the acts that are considered to be conflicts of interest and, therefore, are prohibited:

- A. Preparing any tax return for a consideration, other than a state salary, in the course of their employment. An auditor may prepare returns on request from relatives, friends or commission employees without compensation. Participation in VITA (Volunteer Income Tax Assistance) to help taxpayers file is allowed and encouraged.
- B. Purchasing property, either personally or through an agent, or as an agent for another, at any sale of property seized or owned by the commission for non-payment of taxes. This rule applies whether the sale is conducted by the commission or by its agent.
- C. Acting on behalf of the state in transacting business with a private concern in which the employee, spouse or minor child has a financial interest. It is considered that the employee has a financial interest in such a private concern if the employee is negotiating, or has any arrangement, concerning prospective employment with such private concern.
- D. Receiving or agreeing to receive any compensation for any services rendered by him/her or another in relation to any proceeding, contract, claim, controversy, charge or other matter in which the state is directly or indirectly interested before any executive agency of the State.
- E. Receiving any improper consideration for procuring any contract with the state.
- F. Receiving any salary for services performed for the state from any source other than the state.
- G. Directly or indirectly, corruptly soliciting, agreeing to accept, for him/her or another, anything of value to influence his/her performance of an official duty or to make opportunity for the committing of any fraud upon the state. De-minimus items such as meals costing less than \$50 per year per taxpayer are allowed.
- H. In addition, no employee shall, on a private basis, participate directly or indirectly in any financial transaction if he/she has access to official information not available to the general public that is relevant to the transaction; or if in the transaction his/her private interest is, or may reasonably be expected to be, in conflict with his/her official interest or duties.

S130 • Irregularities

To enforce the tax laws of the State of Idaho, any irregularities or improprieties that Commission personnel observe must be reported through proper channels. It is the duty of any auditor observing any of the following to report the acts to his/her supervisor immediately:

- A. Any attempt to bribe a state employee;
- B. Any violation of revenue laws;
- C. Any loss or damage of commission records or property;
- D. Any breach of commission policies or other serious misconduct on the part of fellow employees;
- E. Any unauthorized disclosure of confidential information; and
- F. Report any unethical practices or misconduct by a tax practitioner.

S135 • Confidential Information and Technological Security

Much of the information that an auditor acquires in the course of performing his/her duties is confidential and must be treated as such. (The statutes relating to confidentiality are found in Idaho Code Sections [63-3076](#) and [63-3077](#)) These Sections of the law are part of the Idaho Income Tax Act, but are also incorporated into most other tax acts administered by the Commission. Violation of confidentiality can result in disciplinary action and additional penalties for the employee making unlawful disclosures.

Generally, it is not within the scope of an auditor's duties or authority to make known any financial data or other information disclosed in a tax return, report, application or acquired in the course of an audit.

An employee may disclose whether or not a taxpayer is registered with the Commission pursuant to registration or licensing laws. A "yes" or "no" answer should include a statement such as; "Our records as of today indicate..." or similar language. No expansion of the answer should be given.

The confidential information provisions allow sending confidential information to a taxpayer or a representative who has been named by the taxpayer. An authorized representative of a taxpayer may be a receiver, trustee, executor, administrator, assignee, guarantor or a person named by a taxpayer in a signed Power of Attorney or authorized by a letter written and signed by the taxpayer granting another person to act in the taxpayer's behalf and to receive confidential information.

The confidential information provisions also provide that the Internal Revenue Service and tax authorities of other jurisdictions may request and are entitled to receive certain confidential information to assist them in enforcement of their tax programs. However, before an auditor undertakes to disclose information to employees of any other agency, he/she should ensure that he/she has prior approval per

agency guidelines and ensure that the individual receiving the information is authorized to do so through an exchange agreement. Information contained in tax liens and court records of enforcement proceedings are public records.

There are other specific conditions under which an auditor may make limited disclosures of information. In the conduct of some audits it may be necessary to examine the records of a third party not being audited. In this circumstance, the auditor may disclose that he/she must examine specifically identified records of the third party. No further information can be given.

The auditor may not disclose information obtained from examining a successor's records to a predecessor.

An auditor is responsible for ensuring that information, which he/she discloses, is given to a person authorized to review it. An authorized person may be:

Entity	Authorized Persons
Sole Proprietorship	The Owner (or spouse if business is community property)
Limited Liability Co. (LLC)	Owners, corporate officers, controller
Partnership	A partner
Corporation	Directors, officers, controller, tax manager
Trusts	Fiduciary (Trustee)

Additional persons known by the auditor to be individuals with responsibility for preparing and filing tax returns or maintaining records relating to such returns on behalf of a business entity may generally be considered authorized employees for such disclosures as may be necessary for conducting an audit.

Care must be taken when making disclosure over the telephone, especially when the auditor does not originate the call. If the auditor is not satisfied with the identity of the caller, no disclosure should be made until the auditor verifies the identity of the caller. (See *Identifying Taxpayers and Preventing Disclosure*) One way to do this is to terminate the call and call back using a known telephone number from Commission records).

It is not possible to foresee all situations regarding disclosure that might arise; therefore, this Section is intended as a general guideline. The best rule to follow in any question of doubt about whether to disclose information is to make no disclosure prior to obtaining guidance from your supervisor.

Nothing in this section is intended to preclude discussion of an audit or a taxpayer's business with another Commission employee who also may have an interest in the same taxpayer for the same or another tax. However, discussions of an audit or a taxpayer's business is strictly on a need to know basis.

In order for an auditor to efficiently perform his/her duties, the Commission provides technological equipment for the auditor's use. The auditor is responsible for safeguarding that equipment and the confidential information contained within that equipment. Utmost care must be exercised to ensure that taxpayer information is not compromised. All confidential information contained on any technological equipment must be encrypted. Failure to do so is a violation of Commission policy and may subject the auditor to disciplinary action.

When transmitting confidential information to a taxpayer by a non-secure method such as e-mail, the auditor must request a written approval from the taxpayer to do so. This can be accomplished by having the taxpayer send the auditor an e-mail acknowledging that they are aware that e-mail is not secure and that they agree to allow the auditor to transmit their confidential information in such a manner.

S140 • Physical Security of Taxpayer Information

Auditors should exercise extreme care in protecting taxpayer's records that are kept within their possession. In the work area, records should be not be left unattended or be easily accessible to others. Paper records should be placed facedown when not being used. At the end of the day, all records should be secured/out of view, at the auditor's workstation. In addition, digital media should always be stored in a secure area.

At an audit site, records that are not electronically stored, should be locked in a briefcase or taken with the auditor when taking breaks. If electronically stored, the auditor should log off the computer and keep in their possession if it cannot be secured.

In order for an auditor to efficiently perform his/her duties, the Commission provides technological equipment for the auditor's use. The auditor is responsible for safeguarding that equipment and the confidential information contained within that equipment. Utmost care must be exercised to ensure that taxpayer information is not compromised. All confidential information contained on any technological equipment *must be encrypted*.

All audit related information pertaining to audits currently in process will be kept on the "Work Secured" file directory, which is backed up by a script that runs when shutting down laptops and connected to the network. No other audit/taxpayer information will be kept on the "Work Secured" file directory.

All other audit related information or materials, not in process, email backup files, etc., will be kept on the P:\ drive, which is backed up by IT.

S150 • Clean Desk Policy

Auditors should take extreme care in protecting taxpayer's records that are kept within their possession. This includes records taken from the taxpayer's premises, records obtained from ITD, and records obtained from the commission's own files. Following a clean desk policy will help reduce the risk of improper disclosure, information theft, fraud, or a security breach caused by sensitive information being left unattended and visible in plain view.

Auditors should be mindful of taxpayer information when working on audits during the workday and ensure that taxpayer information is not visible by covering information or turning information face down when away from your desk. Any federal tax information should be secured.

At the end of the day or whenever a work area will be unoccupied for an extended period of time:

- Sensitive and confidential paperwork should be secured and removed from the desk or covered/turned over if removal is not possible. This includes mass storage devices such as CDs, DVDs, and USB drives. Boxes containing taxpayer information should be covered.
- All wastepaper which contains sensitive or confidential information must be placed in the designated confidential waste bins. Under no circumstances should this information be placed in regular wastepaper bins.
- Computer workstations must be locked when the desk is unoccupied and completely shut down at the end of the workday unless instructed otherwise (software updates, etc.).
- Keys for accessing drawers or filing cabinets should not be left unattended at a desk.
- Printers and fax machines should be treated with the same care under this policy:
 - Any print jobs containing sensitive and confidential paperwork should be retrieved immediately. This includes any documents scanned to network drives.
 - All paperwork left over at the end of the workday will be properly disposed of.
- Passwords should not be left on sticky notes posted on or under a computer, nor may they be left written down in an accessible location.

A clean desk policy is an important security and privacy control and necessary for nondisclosure compliance.

S160 • Auditor Involvement in Politics

Tax Commission employees are specifically permitted by law to express your opinion either publicly or privately on political subjects and candidates and be politically active. (See [Idaho Code Section 67-5311](#))

Employees are permitted to:

- Contribute funds to a political party or candidate
- Participate in the formulation or activities of a public employee or political action committee
- Write letters to the editor as an individual on political subjects
- Circulate literature or petitions on behalf of the candidates

- Arrange for groups to meet candidates
- Type and stuff envelopes with campaign literature
- Do research on specific issues
- Make or write speeches for a candidate
- Make telephone calls on behalf of candidates
- Display lawn signs, bumper stickers, buttons and badges
- Canvas political precincts on behalf of candidates
- Encourage individuals to vote and/or register to vote;
- Hand out political pictures, stickers, badges, buttons, etcetera
- Solicit voluntary contributions

Employees are not permitted to:

- Use state time, equipment, supplies, or resources for political activity
- Use your official authority or influence as a state employee for the purpose of interfering with an election to or a nomination for office or affecting the result
- Use your official authority or influence as a state employee to directly or indirectly coerce or attempt to coerce, command, or direct any other employee to pay, lend, or contribute any part of his or her salary to any party, committee, organization, agency, or person for political purposes
- Classified state employees may not run for partisan political office, but may run for nonpartisan political office

None of these activities may be performed during working hours or include anything that would be disruptive in the workplace.

A department head has the discretion under law to allow or not allow a leave of absence with or without pay for employee political activity and to regulate all forms of political activity on state time. However, a department head may not restrict an employee's political activity on his/her time in any manner.

In the absence of any rule to govern a particular situation, an auditor will be guided by the following: An auditor may not engage in any behavior, activity, association, or relationship that tends to discredit the Tax Commission. Any employee whose conduct does not conform to the rules may be subject to disciplinary action and additional penalties.

S200 • Auditor Accountability and Time Reporting

S205 • Auditor Accountability

It is the auditor's responsibility to ensure that their office manager or supervisor is aware of his/her schedule and where he/she can be reached. The sign-out system in Outlook will be kept current and complete to include a contact name, telephone number, and the audit location.

S210 • Time Reporting

[Redacted pursuant to Idaho Code § 74-107(15)]

S215 • Flex Time

The Tax Commission permits management to approve in advance for full-time employees to vary their schedule, i.e. work a modified work schedule, flex-time, compressed work, etc., provided the schedule does not negatively affect productivity and/or the efficiency of the agency. See “Alternate Work Schedule” below for additional information.

S220 • Alternate Work Schedule

It is the policy of the Tax Commission to offer to employee’s alternate work schedules while continuing to maintain efficiency, productivity, and quality customer service.

Alternate work schedules outside of the agency’s standard 8:00 am to 5:00 pm, Monday through Friday workweek are:

- Compressed work schedule – A fixed work schedule that allows full-time employees to work a 40-hour work week in less than the customary five 8-hour days (i.e. four 10-hour days). Employees who are granted a compressed work schedule shall enter into a Memorandum of Understanding (MOU) defining the details of the schedule and the conditions under which it is authorized.
- Flexible work schedule – A set work schedule that allows employees a start time and departure time that differs from the standard work schedule. Supervisors are responsible to approve employee’s requests in advance for a flexible work schedule. A MOU is not required for a flexible work schedule.

Alternate work schedules must be approved by division administrators in advance. Employees being considered for an alternate work schedule must have demonstrated satisfactory performance and

attendance and have not been subjected to disciplinary action in the preceding six (6) months of employment. Alternate work schedules are a privilege and decisions to discontinue, suspend, alter, with or without notice, are at the discretion of management.

When conducting audit fieldwork, auditors may be asked to work outside of the agency's standard 8:00 am to 5:00 pm work hours in order to accommodate the taxpayer. The auditor would be expected to adjust their normal work hours as necessary, if the request is not earlier than 6:00 am, later than 6:00 pm, on a weekend day, or a state holiday. The auditor would also be expected to contact and inform their manager of the request as soon as possible, which is different than originally planned.

S300 • Accountability Guidelines

S301 • General Information

In the interest of eliminating confusion surrounding the management structure of the various divisions as they exist in the field offices, the following are guidelines to facilitate good communication among the field offices and the audit bureau's management and staff. Questions or further clarification should be directed to the auditor's manager.

S305 • Part Time / Temporary

The definitions of these terms seem to be somewhat fluid, but in general refer to the fact that the average work hours for some of the Tax Specialist positions are limited to no more than 19.5 hours in any 1-week period.

S310 • Supervisory Structure

The FTRF Auditors are members of the Sales and Fuels Tax Audit bureau which has auditors and other staff located in Boise and in Field Offices around the state.

The Field Office staff, which handle the day-to-day operations and services to the public, as well as tax collection and enforcement, work in a separate Bureau called Field Services (part of the Collection Division). The Field Office Manager is responsible for the overall operation of the office in which all staff work, however; all the Sales and Fuels Tax Auditors report to their respective managers in Boise.

In addition to their Boise staff, the Income Tax Audit Bureau and the Tax Discovery Bureau also have staff in the Field Offices.

S315 • General Communications / Questions

Auditors should discuss all questions regarding issues of law, specific taxpayers and their related audit issues, and policies and procedures relating to fuels tax and registration fees with their manager. FTRF auditors are encouraged to call other FTRF auditors in the event when a manager is not available).

S320 • Day to Day Operations

As a general rule, most non-audit questions and issues about the office environment in which the Audit staff work can be directed to one of the Field Office staff members who work for the field office manager. This would include routine requests for office supplies such as paper, pens, etc.

S325 • Other Supplies & Equipment

Other supplies, such as those required for a particular project, should be requested from the auditor's manager. This would include any unusual items, computer equipment, software updates, printer configurations, etc. While some of the furniture is usually considered to fall under the management of the Field Services Bureau, requests for maintenance, repair, or replacement of these items should be coordinated with the auditor's manager and the field office managers.

S330 • Work Hours

Unless the auditor has an approved flex or compressed work schedule, hours should be completed during the standard agency work hours of 8am to 5pm (It is understood that unforeseen delays may require travel back to the office from an audit appointment after 5). If a taxpayer is unable to accommodate an audit during normal business hours, the auditor should inform their manager as soon as possible of the request and coordinate, an alternate schedule. (See auditor expectations included with section S220 – Alternate Work Schedule above)

When working a full day (anything over 6 consecutive hours), a minimum of a half-hour lunch break must be taken. Also, hours from one week or pay period cannot be "banked" from one week/pay period to the next. Time worked must be accurately recorded and reported on the time sheet. For part-time employees, no more than 39 hours can be worked in any two-week period.

S335 • Schedules and Appointments

For part-time staff, the workdays for the following week should be entered into the check-out list on Outlook by the previous Friday. Full time auditors are expected to work a consistent schedule in keeping with their approved Flex or Compressed Hour schedule.

In addition to using the regional Checkout Calendar in Outlook, the auditor should sign in and out on the white scheduling board, or whatever method the field office uses, to communicate what hours they are planning to work and/or what day and time they will next be in to work. When going on an audit appointment, the auditor should leave the audit name, contact name, audit location and phone number in the Outlook checkout calendar.

The Field Services staff are not responsible for on the whereabouts of the Auditors, so the use of one of the "sign-out" methods is critical in the event that an auditor needs to be reached while they are out. To summarize: the check-out calendar on Outlook is to be used to list all audit appointments and other out of office schedules. Specific audit contact and location information must be recorded as a matter of safety.

A custom voice mail message should be used to announce to potential callers how long an employee will be out of the office, or a message stating that the employee is just "away from their desk". For example, a message might say something like, "You have reached the office of John Doe with the Idaho State Tax Commission. I am currently working out of the office and will be back in the office on Tuesday from 8 until 3. My regular work hours are 8-3 on Tuesdays, Wednesdays, and Thursdays. If you need to reach someone right away, please dial 0... Otherwise, please leave a message at the tone. Thank You."

S340 • Time Sheets

All time sheets are filed electronically and are to be submitted online using I-Time. The manager or trainer will help with the initial set up and will explain specific procedures.

S345 • Travel Vouchers

Travel vouchers are filled out electronically online through Travel Express and submitted to the manager for review. A link to Travel Express can be found on the same site as I-Time.

S350 • State Car Usage

The Idaho State Tax Commission has a motor pool policy, which should be referred to when a State car is used for travel to an audit.

P100 • Summary of Fuels Tax Registration Fee Audit Unit

The **Fuels Tax Registration Fee Audit Unit** conducts both field and desk audits. These include IFTA, IRP, Full Fee, Form 75, and Distributor audits. Auditors research and establish an annual plan based on the audit goals established and distributed annually by the FTRF section supervisors. The FTRF unit also provides advice and assistance on fuels tax code, registration fee code, rules, forms and procedures that are in compliance with established guidelines, rules and policies. This unit also includes the Distributor Desk Review Unit and Form 75 Desk Reviewers.

Fuels Tax Auditors conduct the audit research, fieldwork, analysis, and write up of the five types of audits. They also provide general taxpayer service for all fuels tax types and registration fees when required for the field offices and Boise.

Form 75 desk reviewers conduct reviews on smaller accounts and provide taxpayer support for the form 75 taxpayers.

The Distributor Desk Review Unit works with the Fuels Tax Registration Fee (FTRF) audit staff to identify and collect the unpaid fuels taxes and transfer fees that are due from Idaho's licensed motor fuel distributors. FTRF auditors perform comprehensive audits of the distributors, usually for a statutory three-year period. The duties are to complete desk reviews by cross-checking the Motor Fuels Distributor's Tax reports for accuracy; to verify correct payment, or refund, of the Idaho fuels tax and transfer fee; and to clearly document any discrepancies identified. All original and amended returns are reviewed by the unit. The act of reviewing 1450 tax returns is referred to as "cross-checking." A return is cross-checked by comparing the detail filed by the distributor against the returns filed by their suppliers and customers. Idaho licensed motor fuel distributors pay the Idaho tax when they "receive" motor fuels in Idaho. Motor fuels are "received" in Idaho when the Idaho licensed motor fuel distributor who owns the fuel removes it from an Idaho terminal or when the distributor imports into Idaho. The Idaho motor fuel distributor pays the tax on each gallon of motor fuel received during a month by the end of the next month.

P200 • Audit Selection

[Redacted pursuant to Idaho Code § 74-109(4)]

P300 • GenTax

[Redacted pursuant to Idaho Code § 74-107(15)]

P400 • Federal Tax Information

P401 • General Information

Federal Tax Information (FTI) is taxpayer data received from the federal government. It also includes any information created by an auditor or a staff member derived from a federal source. Since the information is owned by the federal government, employees must follow established Tax Commission protocol when handling FTI.

P405 • Comingled FTI

[Redacted pursuant to Idaho Code § 74-107(1)(b)]

P410 • Safeguarding FTI

[Redacted pursuant to Idaho Code § 74-107(1)(b)]

P415 • Understanding and Setting FTI Indicators

[Redacted pursuant to Idaho Code § 74-107(1)(b)]

P500 • Important Audit Documents

P501 • General Information

There are several important procedural and/or legal documents that are essential to conducting a professional audit in accordance with the Taxpayer Bill of Rights.

P505 • Items Included in the Audit File

Audit files must contain specified documents as outlined within each audit type section. Generic information regarding some of the required documents are included with this section.

P510 • Contact Log

This record of taxpayer contact must be maintained each time the taxpayer is contacted by telephone, correspondence, or in person. The Contact Log must document each time the taxpayer or auditor requests a Waiver of Statute Limitations extension. In some cases, the Contact Log is used to document important audit decisions that were made with the taxpayer, such as determining the sampling plan, what conversations took place during the audit field work, etc.

P511 • Audit Report

The audit report is generated as the audit is being conducted and finalized when the audit is completed as part of the audit file. This is the main narrative for the audit and should contain as much information as necessary for the audit reviewer to understand the audit steps and determination made by the auditor.

P515 • Statute of Limitations Waiver

An important limitation upon the Commission's power to examine records is the Statute of Limitations. This statute imposes a time limit within which the Commission must assert any additional tax, penalty, or interest. If the time limit has expired without a waiver, the Commission may not examine records relating to that period.

The Commission must issue a Notice of Deficiency Determination (NODD) within three years of the time the return was or should have been filed, whichever is later. If the return was delinquent filed, the three-year period is measured from the actual filing date of the return, rather than from the due date of

the return. If no return has been filed, then the amount of taxes shall be asserted within seven years of the time the return should have been filed.

The Statute of Limitations period may be stopped in two ways. First, the auditor may enter into a written Waiver of Statute Limitations with the taxpayer. This form is commonly referred to as a "Statute Waiver" or simply a "Waiver". If the auditor expects that he/she will be unable to complete his/her audit work prior to the time the statute expires on any period subject to the audit, he/she should ask the taxpayer to execute such a waiver.

The Commission has prescribed forms to be used for a Waiver of Statute Limitations. To be valid, the waiver must:

- A. Identify the tax period(s) to which the waiver relates.
- B. State the date upon which the waiver will expire,
- C. Be executed before the Statute of Limitations or prior waiver period expires, and
- D. Be signed by a person who can legally bind the taxpayer and an authorized Commission representative, i.e., Auditor, Tax Audit Manager, or Bureau Chief.

The following points should be considered when using the waiver:

- A. It is important to obtain the waiver early in the audit, so as to gauge the audit approach.
- B. Sufficient time should be allowed to complete the audit when the waiver is first signed. This includes time for the taxpayer to review the work papers and for the internal review.
- C. When submitting an audit, the minimum time needed prior to the waiver expiring is 60 days. Auditors are encouraged to allow more than the 60 days when possible and not consider it as a due date.
- D. Try to avoid having all waivers expiring on the end of quarters (i.e., March 31, June 30, September 30, and December 31). This facilitates an efficient audit review and processing timeline.
- E. Audits of related businesses with separate records and numbers should have separate waiver forms signed.
- F. The taxpayer signing the form must be a "Duly Authorized Officer." If in doubt, be sure to ask, "Are you authorized to sign for the business?" and note the answer in the Contact Log.
- G. The waiver should first be signed by the auditor, dated and given to the taxpayer. Upon receipt of the signed waiver from the taxpayer, the auditor will review it for accuracy before acceptance, then immediately attach it to the audit in GenTax.
- H. When more than one tax type is being audited with the same audit period, only one waiver is needed. If different tax types having different audit periods are being audited, a waiver for each audit period is needed. Income tax returns must have a waiver signed for each filed return under examination.

P517 • Processing of Waiver's

When a waiver is received from a taxpayer, it is imperative that the form be immediately attached to the audit in GenTax:

- Scan the waiver and save as pdf
- Open up the audit, click on the CRM tab, click Attachments, then Add
- Update the "Statute Date" with the end date of the waiver

P520 • Power of Attorney (POA)

A Power of Attorney is a legal document empowering one person to act on behalf of another. In some cases, a taxpayer selected for an audit may have their accountant, attorney, or another person represent them during the audit. When an auditor needs to discuss any matters relating to a taxpayer with a person who is not an owner, partner, director, officer, or employee of the business entity being audited, you must obtain a Power of Attorney (POA) from the taxpayer and retain a copy of the POA form in the audit file.

A taxpayer can designate their attorney, accountant, or some other representative to act on their behalf. However, the POA must designate specific individuals as attorneys-in-fact, not merely the name of an accounting firm or a law firm. Specifically, the specific attorneys or staff accountants who will act on behalf of the taxpayer must be named on the POA form.

A person appointed pursuant to a Power of Attorney is called an "attorney-in-fact". He may be an attorney at law, a CPA or any other competent adult person. Unless otherwise stated in the document itself, the POA is valid until revoked by the grantor. As a matter of precaution, however, an auditor should not assume that a Power of Attorney obtained from a taxpayer in regard to any previous or an unrelated tax matter is still applicable to a new and different audit.

Always determine if a new POA is necessary for your audit, as any contact without a valid POA could be a breach of confidentiality.

Although the Commission does provide a POA form for this purpose, it is not required that a taxpayer use this specific form. Acceptable forms include the following:

- Idaho State Tax Commission (ISTC) POA Forms
- Federal POA Forms (providing all required Idaho information is given and it references Idaho or Idaho form numbers)
- Durable POA Forms
- General POA Forms
- Military POA Forms
- Court ordered representatives or guardianships

- Any document received with all the required information from the ISTC form

To be valid the POA form must include:

- Taxpayer's name or company legal name, along with their SSN or EIN
- Spouse's name and SSN (if applicable)
- Taxpayer address (not necessary for limited POAs)
- Representative(s) name, firm/company name (if applicable)
- Representative address
- Tax type(s)
- Permit number(s) (if applicable)
- Tax period(s)/year(s)
- Signature(s) of the taxpayer(s)

In some instances, the taxpayer may engage the POA to be present only at the beginning of audit field work and would prefer to not involve the POA in any other correspondence and communication. It is important to determine to what extent the taxpayer wants their POA to be involved and document this information in the Contact Log.

Per the Taxpayer Bill of Rights, if the attorney-in-fact listed on the POA fails to respond within seven days, the Tax Commission may contact the taxpayer directly. A Notice of Deficiency Determination (NODD) and workpapers are generally sent to both the taxpayer and the POA.

P525 • POA Procedures and Auditor Responsibility

Auditors will discuss with the taxpayer who the designated contact will be during the audit process. When the designee is an employee, no POA is needed. However, if the taxpayer designates an attorney, accountant, or some other representative who is not an employee to act on their behalf, a POA will be required. It is the auditor's responsibility to be familiar with the POA process to protect themselves and the Tax Commission.

Reviewing Existing POA's

Auditors will check if the taxpayer has any existing POA's on file. This is necessary since, once granted, a POA remains in effect unless revoked or until it expires on a specific date. If the taxpayer wishes to use an alternate POA for the designated tax type, a new POA must be obtained. The taxpayer also may revoke all prior POA's when providing a newly executed form. Existing POA's should be examined to ensure the audit period is covered for the tax types under audit.

If the taxpayer wishes to revoke or withdraw a POA on file, they can write "REVOKE" across the top of the executed form, along with their signature and date. Alternatively, the taxpayer may opt to provide a signed and dated statement with their name, address, and SSN/EIN identifying the name and address of the representative being revoked or withdrawn. Auditors should review any newly executed POA's

carefully to determine if any prior POA's have been revoked.

Note: Discussions with any unconfirmed contact could result in unauthorized disclosure. Auditors should obtain the name of the current contact when working with the taxpayer, and update GenTax contact information as necessary.

Requesting a POA

The taxpayer should designate the specific individual(s) who will act on their behalf, not merely the name of an accounting or law firm. It is not unusual for the taxpayer to have multiple representatives during an audit. The auditor will discuss acceptable POA formats and may direct the taxpayer to use the Tax Commission's preferred POA form, which is available on the website. If desired, a blank POA form can be generated in GenTax for the taxpayer, complete with instructions and mailing address.

If the POA only names five individuals to serve as a POA for a firm, the auditor can disclose information to **only those named individuals**. However, if a valid POA lists only the entity name and does not list a specific individual, **any employee** for the entity can act as an attorney in fact for the taxpayer.

Note: The taxpayer can appoint, change, or add a representative at any time. The auditor must NEVER enter information on a POA for a taxpayer. The use of highlights on the copy that will be executed should be avoided. Highlighted items generally do not copy well and may be hard to read.

Receiving a POA

When a POA is received from a taxpayer, it is imperative the form be processed in a manner that allows other departments within the agency to know that the taxpayer has established someone to act on their behalf. The auditor will review the POA. If it is a valid POA, auditors will attach a copy of a POA to the audit in GenTax and will immediately forward it to the bureau's administrative support staff in Boise to be imaged in GenTax. Before processing, a CRM note will be created at the audit level noting the form was received, the POA representative's name, contact information, tax types, and periods.

If a POA is incomplete or inaccurate, the auditor must return it to the taxpayer immediately. Without a valid POA, audit issues cannot be discussed with the designated representative. The auditor must exercise reasonable discretion in determining whether a valid power of attorney exists. The valid POA will be forwarded to the bureau's administrative support staff for further processing.

Communicating with the POA

Once a POA has been designated, the auditor must be clear as to the taxpayer's direction concerning the extent of the POA's involvement during the audit. Depending on circumstances, the taxpayer may engage the service of a POA at the beginning of audit fieldwork but would prefer the auditor to not involve the POA in any other correspondence and communication until notified otherwise.

If the taxpayer directs the auditor to communicate with the POA, it will be necessary to determine if the taxpayer desires to be included in the correspondence process. Some taxpayers may request to be included in any or all correspondence, while others do not want to be contacted at all during the audit process. It is, however, bureau policy to send a notice of determination or any summons directly to the

taxpayer and a copy to the attorney-in-fact listed on the POA. The auditor should discuss the process with the taxpayer and determine if the POA should receive any finalized working papers or reports when the audit is issued.

Note: If the POA fails to respond to the auditor's request for information within seven days, the auditor may contact the taxpayer directly. Refer to [Title 63 Chapter 40, Idaho Code](#), for further guidance.

P530 • Discussions Without a POA

A taxpayer may invite other individuals, such as an accountant, to take part in audit discussions. When the taxpayer is present, a POA is not necessary when engaging in conversations with those not directly employed by the taxpayer. However, any further contact with these individuals when the taxpayer is not present, regarding taxpayer matters, requires a valid POA.

Some representatives may be directed by the taxpayer to contact the auditor directly before a valid POA has been executed. When this occurs, the auditor must limit communications to general tax matters until a valid POA has been executed. The auditor may not disclose or confirm the taxpayer is under audit. Rather, the representative should be directed to contact the taxpayer and obtain a valid POA. The representative's name, position, employer, and what was discussed should be documented in the Contact Log.

P600 • Audit Overview

P605 • IFTA

The International Fuel Tax Agreement (IFTA) is an agreement among 48 U.S. states and 10 Canadian provinces (58 jurisdictions in all) designed to simplify the reporting of fuel use taxes by interstate motor carriers. Reporting under the IFTA Agreement significantly reduces the paperwork for the licensee and standardizes the reporting of fuel use taxes.

Before becoming part of IFTA, each member jurisdiction had its own fuels tax reporting requirements, license, decals, rules, and forms; and performed audits for just its jurisdiction. A motor carrier operating in multiple jurisdictions had to comply with the reporting requirements of each jurisdiction, which made the return filing process difficult and time consuming. The motor carrier was also subject to multiple fuels tax audits by multiple jurisdictions.

All U.S. states, except Alaska and Hawaii, are members of IFTA. Also, the District of Columbia is not a member. All Canadian provinces are members. However, the Yukon, Nunavut, and Northwest Territories have not yet joined IFTA.

All interstate motor carriers must register their motor vehicles in their base jurisdiction. An Idaho-based carrier operating IFTA-qualified motor vehicles in Idaho and at least one other IFTA jurisdiction must

obtain an Idaho IFTA license or trip permit. To qualify for an Idaho IFTA license, the carrier must meet the following criteria:

- A. Operate at least one power unit with two axles and a gross vehicle weight or registered gross vehicle weight of more than 26,000 pounds; or
- B. Operate a power unit with three or more axles regardless of weight; or
- C. Operate a tractor-trailer combination, with a combined gross vehicle weight or registered gross vehicle weight of more than 26,000 pounds.

A motor carrier registered under the International Registration Plan (IRP) in Idaho must obtain an Idaho IFTA license or buy a temporary permit for fuels tax when operating in any IFTA jurisdiction, including Idaho. An IFTA licensee should not purchase temporary fuel permits for travel in any IFTA jurisdiction. An IFTA license and decals are issued when a motor carrier applies for or renews its IFTA license.

A licensee based in another IFTA jurisdiction and displaying the correct IFTA decals meets Idaho's fuel use tax licensing requirements. A licensee based in another IFTA jurisdiction and not licensed through IFTA must obtain an Idaho temporary permit for fuels tax to travel in Idaho. Information on temporary permits may be obtained from the Idaho Transportation Department (ITD) or an Idaho Port of Entry. No fuels tax license or reporting is required for a motor carrier based in and traveling only in Idaho.

A vehicle that does not meet the definition of an IFTA-qualified motor vehicle shall not be included in an IFTA fleet, shall not display an IFTA decal, and shall not be included in the data reported on the licensee's IFTA fuels tax return. Recreational vehicles, such as motor homes, pickup trucks with attached campers, and buses that are used exclusively for personal pleasure do not qualify for the IFTA program.

Note: The reader should be familiar with the IFTA Articles of Agreement, IFTA Procedures Manual, IFTA Audit Manual, and IFTA Best Practices Audit Guide. An accurate and reliable distance accounting system is an important requirement of both IFTA and IRP. Auditors are encouraged to perform IFTA and IRP audits simultaneously whenever possible.

Purpose

The purposes of an IFTA audit are to:

- A. Determine the proper total fleet distance traveled, the total fleet gallons consumed, and the fleet Miles per Gallon (MPG).
- B. Determine the proper jurisdictional total and taxable distance traveled. Determine the proper jurisdictional tax-paid gallons purchased.
- C. Issue an audit report to the licensee which communicates the results of the auditor's examination of the licensee's fuel and distance records.
- D. Educate the licensee regarding the reporting and recordkeeping requirements of IFTA.

Authority to Audit

Idaho State Tax Commission (ISTC) employees are authorized to audit companies and individuals with vehicles licensed under IFTA and other agreements between jurisdictions and will use fuels tax enforcement provisions. The IFTA Audit Manual is the primary reference guideline for an IFTA audit.

P610 • IRP

The International Registration Plan (IRP) is a motor vehicle registration option for interstate motor vehicle operations. IRP is an agreement among 48 U.S. states, the District of Columbia and 10 Canadian provinces (59 total jurisdictions). Idaho-based carriers are eligible to register under the IRP, if they demonstrate at least three of the following:

- A. If the applicant is an individual, that his/her driver's license is issued by Idaho,
- B. If the applicant is a corporation, that it is incorporated or registered to conduct business in Idaho,
- C. If the applicant is a corporation, that the principal owner is a resident of Idaho,
- D. The applicant's federal income tax returns have been filed from an address in Idaho,
- E. The applicant has paid personal income taxes to Idaho,
- F. The applicant has paid real estate or personal property taxes to Idaho,
- G. The applicant receives utility bills in Idaho under the applicant's name
- H. The applicant has a vehicle titled in Idaho in the applicant's name, or
- I. Other factors clearly provide evidence the applicant's legal residence is in Idaho.

Carriers may register for all IRP jurisdictions in which they travel and pay a portion of each jurisdiction's fees based on the distance traveled. At the time of original registration or renewal, the Idaho Transportation Department (ITD) will verify the registrant's Idaho phone number and Idaho business address. Idaho collects and forwards the apportioned registration fees for each requested jurisdiction.

The carrier's registered Apportionable Vehicle(s) is the subject of the audit.

Purpose

The purpose of the IRP audit is to:

Determine the fleet's proper total distance traveled and the percentage of distance traveled in each jurisdiction.

- A. Verify that the registrant has used the appropriate apportioned fees to register a particular fleet.
- B. Issue an audit report to the registrant and the affected jurisdictions that communicates the results of the auditor's examination of the registrant's operational records.
- C. Educate the registrant regarding the appropriate reporting and recordkeeping requirements of IRP.

Authority to Audit

Idaho State Tax Commission (ISTC) employees are authorized to audit registration fees and will use fuels tax enforcement provisions. The IRP Audit Procedure Manual (APM) is the reference guidelines for IRP.

IRP Records Review

In some situations, a review of a registrant's IRP records would be warranted in place of an audit.

A "Records Review" means an evaluation of a Registrant's distance accounting system and internal controls to assess the Registrant's compliance with the requirements of the Plan. The primary differences between an Audit and a Records Review is that a Records Review:

- A. Focuses only on the adequacy of the internal controls and compliance of the distance accounting system;
- B. May be limited in scope to less than a full Reporting Period;
- C. May be conducted before the first renewal; and,
- D. Does not result in any fee adjustments

An IRP Records Review will not be done in conjunction with an IFTA audit and requires preapproval by the auditor's manager. (See Appendix N for more information)

P615 • Full Fee

The full fee registration program issues vehicle registrations and determines the registration fees that are charged to vehicle owners, in accordance with Idaho Code 49-434. Registration fees are reduced by 1/12 per month for power units registered later in the calendar year. Full Fee registration fees for vehicles over 60,000 lbs. (gross vehicle weight) are based on each vehicle's mileage for the preceding July 1 through June 30 period.

Commercial vehicles weighing 8,001 through 60,000 pounds can be registered through the Commercial Vehicle Services (CVS) section of the Idaho Transportation Department (ITD), or through the local county assessor's office. Commercial vehicles 60,001 lbs. and above must be registered at CVS.

Idaho farm vehicles through 60,000 pounds must license at a county assessor's office. Idaho farm vehicles over 60,000 pounds and those from out-of-state must be licensed at CVS.

Carriers that are based outside Idaho may choose to full fee register their vehicles to operate in Idaho, if they are not eligible for other types of registrations and/or they do not want to purchase trip permits (limited to 3 per year).

Purpose

The purpose of the full fee audit is to:

- A. Verify that the vehicle's owner has used the appropriate fee schedule to register each of his full fee units, and
- B. Issue an audit report that communicates the results of the auditor's examination of the registrant's records, and
- C. Educate the carrier regarding owners' appropriate reporting and recordkeeping requirements, which are found in the Idaho registration fee law and rules.

Authority to Audit

Idaho State Tax Commission (ISTC) employees are authorized to audit registration fees per Idaho Code and will use the Idaho Code enforcement provisions.

P620 • Form 75

The Fuels Use Report (Form 75) Audit verifies the accuracy of Idaho fuels tax refund claims made by a fuel consumer who uses the tax-paid fuel in a nontaxable manner. The audit review is a process to assure that Idaho fuels tax has been paid on fuel purchased by the refund claimant; it also assures that the Idaho tax-paid fuel upon which the claim was made has, in fact, been used in a nontaxable manner. The following types of Form 75 worksheets are used as supplements to the Form 75:

- A. Form 75 – IMV (Intrastate Motor Vehicle)
- B. Form 75 – IC (IFTA Licensees)
- C. Form 75 – LFA (Line Flush Allowance)
- D. Form 75 – BST (Idaho Consumers with single or multiple Bulk Storage Tanks)

Purpose

The purpose of the Form 75 Audit is to validate that the claimants are only requesting fuels tax refunds on fuel that is exempt from the motor fuels tax.

Authority to Audit

The Idaho State Tax Commission (ISTC) is directed to enforce the provisions of the Fuels Tax Act. Enforcement provisions in the Income Tax Act have been adopted as the enforcement provisions of the Fuels Tax Act.

P625 • Fuel Distributor

The Fuel Distributor Return (FDT) Audit is an audit of the returns filed by licensed fuel distributors in Idaho. Fuels tax is paid by the first receiver of the fuel in Idaho. The first receiver is the person or entity that owns the fuel when the fuel enters Idaho or leaves a terminal in Idaho.

According to the Idaho Transportation Department (ITD), the first fuels tax was imposed in 1923. Vehicle registration fees were reduced by a third to compensate for the increased tax. Fuels tax monies are dedicated funds placed into a highway distribution account. Part of the funds are used to build roads in the state; to support roads, bridges, and parking areas in state parks and recreation areas; to fund search and rescue operations, waterway improvements, and bridge inspections; and also to fund the collection, administration, and enforcement of the fuels tax laws.

Idaho's Petroleum Clean Water Trust Fund Act imposes a one-cent-per-gallon transfer fee on the delivery or storage of petroleum or petroleum products in the state. The fund provides liability insurance for eligible distributors to pay for the cleanup of accidental petroleum product releases or spills. The transfer fee is implemented when the fund balance falls below a designated threshold limit and remains in effect until a ceiling limit is attained. The transfer fee becomes an FDT audit element if it is in effect during any part of a designated audit period.

Purpose

The purpose of an FDT audit is to promote voluntary compliance and ensure that fuels tax is properly reported and collected on each gallon of motor fuel first received in the State of Idaho. The audit also verifies the accuracy of any fuel distributor returns filed.

Authority to Audit

The Idaho State Tax Commission (ISTC) is directed to enforce the provisions of the Idaho Motor Fuels Tax Act. Enforcement provisions in the Income Tax Act have been adopted as the enforcement provisions of the Idaho Motor Fuels Tax Act.

P700 • Pre-Audit Procedures

Pre audit work is necessary for any of the FTRF audits being conducted. Part of the pre audit analysis is determining what audit(s) will be done. For example: a taxpayer is selected from the IFTA audit selection list and could include IRP, Full Fee, and Form 75 audits to be completed simultaneously. A taxpayer may have a corporation associated with an EIN and a dba (doing business as) for its account at ITD.

Pre audit research and analysis should consist of:

- A. Reviewing policy determinations, statutes, regulations, and agency rulings that affect the type of business being audited.
- B. Reviewing any previous audits.
- C. Reviewing returns in GenTax for the audit period.
- D. Obtain and analyze GenTax system information for the taxpayer's business (Taxpayer Summary Report-qr_012).
- E. Requesting copies of the carrier's applications and other historical documents from ITD.

Review all documentation to determine the audit(s) being conducted, the audit periods for each and other pertinent information necessary to moving forward. Audit checklists for each audit types should be filled out with preliminary information and used throughout the audit to assure auditor compliance with the auditing requirements.

At least 30 days prior to conducting a routine audit, the taxpayer/licensee/registrant should be notified in writing, using the audit notification letter. Forms included with the notification letter are:

- A. Pre audit Questionnaire
- B. Memorandum of Understanding (tax audits)
- C. Waiver of Statute of Limitations (tax audits)
- D. Power of Attorney (if not on file and a 3rd party represents the licensee during the audit)
- E. Idaho Taxpayer Rights and Audits - Your Rights & Responsibilities.

The notification letter will advise the taxpayer/licensee/registrant of the approximate date that the audit(s) is to be conducted, inform it of the audit period(s), and provide it with the opportunity to make the required records available. For purposes of documentation and to avoid misunderstanding, a copy of the notification letter, a signed Memorandum of Understanding, a signed Waiver of Statute of Limitations (if needed), and Power of Attorney (if needed) should be incorporated into the audit file. The audit may be conducted with less than the required 30-day advance notification if the licensee requests the audit be conducted sooner in writing and included in the audit file. All contact with a licensee should be documented in writing in the Contact Log.

A follow-up telephone call to the licensee should be made upon receipt of a completed questionnaire and approximately one week prior to the scheduled audit date to confirm the date, time, and location of the audit.

Pre-Audit Conference

The auditor should hold a pre audit conference with the registrant. The purpose of this meeting is to explain the audit and to gain an understanding of the registrant's; operations, distance reporting system, equipment registration system (including leased vehicles, owner operated vehicles, non-IRP equipment), internal control structure, and discuss the taxpayer's rights and responsibilities in the audit process. An Audit Questionnaire may be used at this time or prior to the commencement of the pre audit conference. In addition, the pre audit conference should outline the audit procedures, records to be examined, confirm sample period, sampling procedures, etc. The registrant and auditor(s) should

determine who has the responsibility for the final acceptance of audit findings and who should be involved in the exit conference. Some factors to review when conducting the pre audit conference are as follows:

- A. Determine what type of business the registrant operates
- B. Make inquiries about the accounting internal control system
- C. Analyze the workflow
- D. Document the acquired information by narrative or flow chart
- E. Confirm the taxpayer has read and understands the Idaho Taxpayer Rights and Audits – Your Rights & Responsibilities information. The auditor may need to cover the information in detail to ensure taxpayer understanding.

P705 • Communicating Taxpayer Rights

All auditors are required to communicate taxpayer rights, to the taxpayer being audited, at both the opening (pre-audit) and closing conferences. How the auditor presents those rights may vary depending on the audit.

TAXPAYER RIGHTS: The auditor must make the taxpayer aware of their rights, provided under Idaho laws, as well as those in Tax Commission rules and policies.

<p>TITLE 63 REVENUE AND TAXATION</p> <p>CHAPTER 40 TAXPAYERS' BILL OF RIGHTS</p> <table border="1"> <tr><td>63-4001</td><td>DEFINITIONS.</td></tr> <tr><td>63-4002</td><td>ACQUISITION OF LOCATION INFORMATION.</td></tr> <tr><td>63-4003</td><td>COMMUNICATION IN CONNECTION WITH TAX COLLECTION.</td></tr> <tr><td>63-4004</td><td>HARASSMENT OR ABUSE.</td></tr> <tr><td>63-4005</td><td>FALSE OR MISLEADING REPRESENTATIONS.</td></tr> <tr><td>63-4006</td><td>UNFAIR PRACTICES.</td></tr> <tr><td>63-4007</td><td>MULTIPLE TAX OBLIGATIONS.</td></tr> <tr><td>63-4008</td><td>RECORDING OF INTERVIEWS.</td></tr> <tr><td>63-4009</td><td>INSTALLMENT PAYMENTS.</td></tr> <tr><td>63-4010</td><td>QUOTAS PROHIBITED.</td></tr> <tr><td>63-4011</td><td>CIVIL LIABILITY.</td></tr> </table>	63-4001	DEFINITIONS.	63-4002	ACQUISITION OF LOCATION INFORMATION.	63-4003	COMMUNICATION IN CONNECTION WITH TAX COLLECTION.	63-4004	HARASSMENT OR ABUSE.	63-4005	FALSE OR MISLEADING REPRESENTATIONS.	63-4006	UNFAIR PRACTICES.	63-4007	MULTIPLE TAX OBLIGATIONS.	63-4008	RECORDING OF INTERVIEWS.	63-4009	INSTALLMENT PAYMENTS.	63-4010	QUOTAS PROHIBITED.	63-4011	CIVIL LIABILITY.	<p style="text-align: center;"><u>WHAT ARE THE TAXPAYER RIGHTS?</u></p> <p>The rights of a taxpayer, under Idaho Law as well as those in Tax Commission policies, include:</p> <ul style="list-style-type: none"> • <i>The Right to Quality Service</i> • <i>The Right to be Informed</i> • <i>The Right to Confidentiality</i> • <i>The Right to Representation</i> • <i>The Right to Appeal</i> • <i>The Right to Payment Options</i> • <i>The Right to Pay Only the Tax Owed</i> • <i>Other Rights</i> <p>The Taxpayer Bill of Rights are identified in Sections 63-4001 through 63-4011, Idaho Code. Auditors are responsible to know and understand taxpayer rights.</p>
63-4001	DEFINITIONS.																						
63-4002	ACQUISITION OF LOCATION INFORMATION.																						
63-4003	COMMUNICATION IN CONNECTION WITH TAX COLLECTION.																						
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63-4010	QUOTAS PROHIBITED.																						
63-4011	CIVIL LIABILITY.																						

TAXPAYER RESPONSIBILITIES: The auditor will take time to explain the general audit process, including the taxpayer’s legal responsibility to maintain and provide records. This allows the taxpayer to

understand what is expected from them during the audit, as well as provide guidance on resolving any issues related to the audit, including audit procedures used or audit finding interpretations.

The taxpayer should have already received select publications (i.e., **Publication 647 • Idaho Taxpayer Rights**; **Publication 230 • Audits - Your Rights & Responsibilities**; **Publication 150 • Understanding a Sales and Use Tax Audit**), explaining their rights and responsibilities, with the audit confirmation letter. However, the auditor may need to provide another copy during the pre-audit process (prior to conducting fieldwork) and post-audit conference (prior to submitting final audit findings for review). It is important the auditor fully covers all portions of the publication(s) and completely answer any questions the taxpayer may have about their rights at both the beginning and ending of the audit.

Note: As noted, the auditor is expected to discuss taxpayer rights and responsibilities at least twice with the taxpayer. These conversations will be documented in the Contact Log and Audit Report. Any questions the taxpayer has, and the auditor’s response, must also be documented, along with unusual issues, such as a lack of records, or a taxpayer’s refusals to provide records.

P710 • Audit Division Surveys

All auditors are required to discuss audit surveys with the taxpayer at both the opening (pre-audit) and closing (post-audit) conferences. The auditor should explain that the taxpayer will have an opportunity to provide feedback on the audit process after the final audit findings have been issued, and that results are used to improve the Tax Commission’s relationship with the taxpayer.

The Audit Division Survey is used to enhance the Tax Commission’s relationship with the taxpayer.

Completed surveys show where educational efforts are strong or may be lacking.

Taxpayer feedback identifies the kind of service provided through the process.

- ***FAIRNESS***
- ***CONSISTENCY***
- ***COMPLIANCE***
- ***SECURITY***
- ***PULIC CONFIDENCE***

Letter ID: _____

Idaho State Tax Commission
AUDIT DIVISION SURVEY

Your opinions about our customer service are important to us. Since you were recently contacted by a member of our audit staff, please help us by taking a few minutes to respond to the statements below:

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
1. The Tax Commission representative was:							
a. Courteous	1	2	3	4	5		N/A
b. Informative	1	2	3	4	5		N/A
2. The representative responded promptly to my:							
a. Telephone calls	1	2	3	4	5		N/A
b. Written requests	1	2	3	4	5		N/A
c. Emails	1	2	3	4	5		N/A
3. The representative clearly explained procedures.	1	2	3	4	5		N/A
4. Reports were:							
a. Complete	1	2	3	4	5		N/A
b. Easy to understand	1	2	3	4	5		N/A
5. As a result of my contact with the representative, I have a better understanding of Idaho tax laws and rules.	1	2	3	4	5		N/A
6. I received information about my rights as a taxpayer.	1	2	3	4	5		N/A
7. Please tell us how we can improve our customer service.	_____						
8. Is there any other information we can provide that would be helpful to you?	_____						
9. Is there any other information you'd like to share?	_____						
May we contact you about your responses? Y/N If yes, please provide the following information:							
Name: _____ Contact Number: _____							
Your responses will help the Tax Commission improve its customer service. Thank you for your feedback.							
Disclaimer: If you were issued a deficiency, the completion of this survey will not be considered a valid protest of the audit.							

Note: When an audit is complete, the bureau’s administrative support staff will send a survey to the taxpayer, their representative, or both. Auditors will need to identify the appropriate taxpayer and applicable representative contact information (name, title) when submitting the audit for review. A

survey may also be needed when the audit is resolved without issuing a notice of determination, but generally not required for an audit that has been canceled.

P715 • IFTA

Preaudit Analysis

Obtain and analyze GenTax system information for the taxpayer's business (Taxpayer Summary Report-QR 012) and IFTA reporting history (IFTA Return Trail-QR 020). Review policy determinations, statutes, regulations, and agency rulings that affect the type of business being audited. Review any previous audits. In almost all circumstances, the pre-audit analysis will be conducted simultaneously with the analysis of the licensee's registration (IRP or Full Fee) account.

The QR 020 review is critical to understanding how the audit will be conducted without having met with the taxpayer. An effective method to conduct an analysis of the QR 020 is to download the report into Excel, which can be modified. Areas to review are:

- Fleet miles and fuel is calculated correctly from the jurisdictional information.
- Is the fleet mpg in an acceptable range?
- Total tax-paid gallons equal fleet fuel?
- Does tax-paid gallons equal taxable gallons?
- Is there more than one fuel type reported, i.e. LNG and diesel?
- Nontaxable miles reported?
- Do the four quarters represented by a registration year agree with each other?
- Are the operations seasonal or consistent from quarter to quarter?

Audit Approach

Audit emphasis should be placed on the evaluation of the licensee's distance accounting system, as distance allocation by jurisdiction is the basis for determining the licensee's fuel consumption and fuels tax obligation for each jurisdiction.

The audit period will cover at least one registration year and up to four registration years.

Summary/recap records must be available to trace the source documents for trips for a particular vehicle through the accounting system into the proper reports. Summaries/recaps may be prepared on a monthly or, at minimum, a quarterly basis. If summaries/recaps are not available, the auditor may request that the licensee compile such recaps, or choose to compile the information himself/herself, depending on the number of vehicles.

P720 • IRP

Audit Preparation

When requesting the registration information from ITD, the following reports from ITD's registration information system will be provided:

- A. Carrier Registration Detail
 - 1. Carrier Detail Report – Carrier information to fill out the Report Page in the audit write-up template
 - 2. Carrier Mileage Information – Carrier information that provides the distance traveled in each jurisdiction. Can be used to fill in the application distance on the Summary comparison sheet in the audit write-up template (It is better to use the original application to fill in the Application Distance on the Summary Comparison sheet, because the distance could have been entered incorrectly.) Note the following pre audit checkpoints:
 - i. Use the Total Fleet Distance from the carrier detail report as a check figure
 - ii. Use the IFTA information to compare IRP distance with IFTA distance
 - iii. Pick the test quarter that has travel in the most jurisdictions using the IFTA information
 - iv. Compare the Idaho IRP distance with the IFTA distance. If all the units in IRP are in IFTA, the quarterly summary distance can be taken from the quarterly IFTA returns
 - 3. Vehicle Carrier Listing – A report that lists currently registered units. Units that are listed on this report may not have been in used during the year under audit. This can be verified by reviewing the information on the MC10 screen and hard copies of applications for the units registered in the base year. Note: Units audited should be in the time period under audit, not what are in the fleet today.
- B. MCIS System Information
 - 1. Motor Carrier Observation Report
 - 2. Individual Carrier Audit Report
 - 3. Accounting File Inquiry
 - 4. Current and history records
- C. Application Detail
 - 1. Registration applications
 - 2. Supplement pages. To get the full picture of an account's activities, look at copies of all supplements.

When requesting the registration information, request the registration information for the two prior years that are under audit. The distance to be audited will be those miles attributed to these units.

P725 • Full Fee

When registration information is requested from ITD's Motor Carrier Services Section, the following information will be provided to the auditor:

- A. The application(s) for the registration year(s) to be audited. The registration application will include the following:
 - 1. List of licensed power units.
 - 2. Actual or estimated registration miles by unit.
 - 3. Registered weight of unit.
 - 4. Fuel type and axles of unit.
- B. Supplements to the application.
- C. Port observations.
- D. Audit reports and recommendations from prior audits, if the carrier had previously been audited (in the BOI file).

P730 • Form 75

The Form 75 audit is conducted using a uniform program and set of procedures unless special circumstances dictate otherwise, which are then documented by the reviewer. A three-year review period is recommended, calendar or fiscal, based on filing dates. All audits are conducted in detail.

P735 • Fuel Distributor

Large distributors may require 90 days or more advance notification. Unless a specific situation dictates, all audits will be conducted in detail.

Fuel distributor returns are cross-checked by the Desk Review Unit. All of the discrepancies are first noted on a "green" discrepancy sheet. Discrepancies that were not resolved during cross-checking are carried over to a "white" or "electronic" discrepancy sheet to be resolved by the auditor. The auditor should request copies of the cross-checkers' monthly reports and audit discrepancy sheets.

Fuel distributor audits can be done as either "field" (complicated and complex accounts, at the distributor's location) or "remote" (limited in scope, by telephone, mail, and email). The determination for either conducting the audit in the field or remotely, is dependent on the manager, the desk review unit and the distributor.

P800 • Field Audit Work

Opening Conference

An opening conference shall be held to outline the operations (internal accounting controls), audit procedures, records to be examined, sample periods, sampling procedures, and to ensure taxpayer rights have been received and understood. The method by which the conference takes place is subject to auditor discretion but may include the following:

- A. In-person meetings,
- B. Telephone discussions,
- C. Written correspondence,
- D. Facsimile transmission, and/or
- E. Electronic mail messaging.

The auditor should determine who has the responsibility for the final acceptance of audit findings and who should be involved in the closing conference. The information from the opening conference is included in the audit narrative. In the event that an opening conference could not be held, the auditor must document the circumstances that prevented the conference from taking place.

Evaluation of Accounting Internal Controls

The auditor's study and evaluation of the internal accounting control system has several identifiable phases.

A. Review and Documentation

The review of the system is an information-gathering phase in which the auditor, through inquiry and observation, determines the accuracy of the accounting policies and procedures. The auditor's objective is to obtain an understanding of the flow of transaction processing. As part of this process, the auditor will:

1. Determine if there have been changes in the accounting procedures or operations during the audit period;
2. Identify the records that the taxpayer/licensee/registrant keeps to support filed returns or applications and include a sample of the records in the audit file;
3. Audit the support documentation and check to determine if any analysis of support documentation is done by the taxpayer prior to data entry; and
4. The auditor documents the understanding of the internal control system in the work papers by completing a questionnaire designed for this purpose, or by diagramming or describing the flow of transactions in flowchart or narrative form. To clarify this understanding, the auditor may select a few transactions of each transaction type and trace them through the accounting system from initiation to ultimate recording.

Preliminary Evaluation

By studying and evaluating the internal control procedures, the auditor identifies apparent weaknesses in the internal control system.

Tests of Compliance

If controls are inadequate to permit reliance, the auditor may make a more extensive review and perform tests of compliance. If weaknesses identified in the preliminary evaluation preclude reliance, or if the auditor believes that more efficient or effective audit tests are possible without reliance, the auditor will plan audit procedures without any further study and evaluation of accounting control.

Report on Weaknesses

The extensiveness of the review of the system and whether tests of compliance are made are matters of the auditor's judgment. Any serious weaknesses identified will be formally and promptly reported rather than at completion of the audit.

Records Examination & Sampling

The audit will be completed using the best information available. The burden of proof is on the taxpayer/licensee/registant. The auditor will make every reasonable attempt to verify all information reported. Evaluate monthly/quarterly distance and fuel reports for sample selection purposes and reconcile the sample records to the filed returns and applications. Sampling may not be necessary in cases where very few miles were traveled, 1 unit is in the fleet, or the records are incomplete and internal controls are weak.

Sampling

The IFTA and IRP audit plans state that unless a specific situation dictates, audits will be conducted on a sampling basis. However, sampling may not be the best audit technique for every account (e.g. seasonal, low miles, etc.). Sample period(s) must be representative of the licensee's operations. Sample period(s) may be different for member jurisdictions due to seasonal operations. The licensee should be allowed to provide input into sample selection if it wishes to do so. An agreement that the sampling methodology is appropriate should be signed by the licensee and the auditor.

The following guidelines should be used to assure representative samples are selected for the evaluation for all distances reported by the licensee:

- A. A three (3) year audit is preferred
- B. Audits must not be less than one (1) year. An audit for less than one year is not counted as an audit by IFTA.
- C. Three (3) sample quarters (choosing one [1] quarter for each year)
- D. Use the same samples for the IRP audit, if possible
- E. Sample at least 10% of the total miles for most licensees

- F. Include distance for all reported IFTA jurisdictions, if possible.

The sampling process involves the review of samples of groups of items to determine the quality of the entire group as described in the IRP Audit Procedures Manual (APM). Both IFTA and IRP recommend audit sampling. The auditor determines a sample size and evaluates the results of the sample based on the sound reasoning and judgment.

IRP (from the APM) recommends three representative months of the registration year for total distance sampling. IRP states the carrier should have some say in the selection of the sample and the carrier as well as the auditor should sign an agreement concerning the sample periods. The auditor should make every effort to choose a sample period in which all jurisdictions, through which a carrier travels, is represented. As with materiality, judgment plays an important role in determining if all the jurisdictions are adequately represented. If the auditor feels that the sample is valid, but a jurisdiction(s) is not represented, the auditor may go back and audit a vehicle in another quarter that traveled in the non-represented jurisdiction(s).

Inadequate Records – If the auditor determines that the records are inadequate for examination purposes, or if the records are not made available after the 30-day notice, the auditor shall impose an assessment in the amount of twenty (20) percent of the apportionable fees paid by the registrant for the registration of its fleet in the registration year to which the records pertain. In an instance where the base jurisdiction knows that it is the registrant's second such offence, the base jurisdiction shall impose an assessment of fifty (50) percent of the apportionable fees paid by the registrant for the registration of its fleet in the registration year to which the records pertain. When the base jurisdiction knows it is the registrant's third such offence, and on any subsequent offenses of the registrant known to the base jurisdiction, the base jurisdiction shall impose an assessment of one hundred (100) percent of the apportionable fees paid by the registrant for the registration of its fleet in the registration year to which the records pertain.

When a sample audit has been conducted and the auditor has scheduled the errors found, the following steps should be completed:

- Analyze the errors found
- Determine whether the errors should be isolated or projected
- Determine whether more testing is necessary
- Generate distance and fuel adjustment factors (error rates)
- Project error rates to the population
- Test projection for abnormal variances

In general, to reach a conclusion about the population as a whole, the auditor would project the error results of the sample to the population. It's not always that simple however, and some factors to consider are:

- If one or two errors are discovered, which can be explained and justified as isolated errors, then the auditor could isolate those errors, with an explanation in the audit notes/report. The

assumption would be that the carrier is doing a very good job overall but had a verifiable mistake that is known and not repeated (one driver, during one trip for example).

- If multiple errors are discovered, then the auditor would project those errors.
- If major errors are discovered, which would generate a very large error rate, then a more thorough examination would be required.

Many of the decisions required to be made by the auditor, depends on the analysis of the carrier's internal controls and maintenance of records. Is everything sufficient and/or adequate? Can the information provided by the carrier to the auditor for the test periods be relied upon to have a low sampling risk? The auditor needs to decide from all the evidence, whether the results of the audit can be justified for all affected jurisdictions and the carrier.

Exit Conference

At the completion of the audit field work, an exit conference should be held to update the taxpayer/licensee/registrant as to the status of the audit. The information from the exit conference should be included in the audit narrative. The exit conference discussion may include the following:

- A. Preliminary audit findings
- B. Estimated time to complete audit
- C. Recommendations
- D. Protest Rights
- E. Questions regarding the audit

P805 • IFTA

Records

Distance Records – Distance reporting software shall be used as an audit tool. The auditor must use discretion when verifying the licensee's/registrant's records. All documentation required to be maintained, and any other records used to substantiate its distance traveled, must be considered by the auditor in determining an acceptable distance reporting system and the accuracy of reported distance traveled.

Fuel Records – Fuel invoices must show that the fuel taxes were paid in order to support the credit taken on the IFTA return for tax-paid gallons. Over-the-road (OTR) purchases must be supported by a receipt, an invoice, a credit card receipt, an automated vendor-generated invoice, or a transaction listing. Fuel purchased from an Indian-owned retail outlet in Idaho (depending on the location) may not include the Idaho motor fuels tax and may not qualify as an Idaho tax-paid purchase. Review tribal agreements to confirm.

Inadequate Licensee Records/Assessment

Fuel Use Estimation: If the licensee's records are lacking or inadequate to support any IFTA return filed by the licensee or to determine the licensee's tax liability, the base jurisdiction shall have the authority to estimate the fuel use upon (but not limited to) factors such as the following:

- A. Prior experience of the licensee,
- B. Licensees with similar operations,
- C. Industry averages,
- D. Records available from fuel distributors; and
- E. Other pertinent information the auditor may obtain or examine.

Unless the auditor finds substantial evidence to the contrary by reviewing the above, in the absence of adequate records, a standard of 4.0 MPG will be used.

When using an alternate method, only allow IFTA-qualifying tax- paid fuel credits.

When tax-paid fuel documentation is unavailable, all claims for tax-paid fuel will be disallowed.

P810 • IRP

The majority of the auditor's field work consists of evaluating and testing equipment and distance records to determine the accuracy of the information submitted on the IRP application. The records to be reviewed include the following:

- A. **Equipment Records** – The auditor determines that the vehicles listed on the IRP application are in the fleet sometime during the year under audit. The IRP application is compared to all the company equipment lists. The auditor must be sure to compare all equipment lists against the registrant's records carefully and completely for differences. The carrier's summary by vehicle and miles is very important.
 1. Verify the equipment lists against the registrant's distance summaries to determine if they contain the same vehicles. This step is vital to conducting the audit, as it is the foundation for testing distance information.
 2. Examine all available information to ensure that unit information is consistent. The information reviewed should include the unit number, vehicle owner's name, date added/deleted to the fleet, vehicle identification number, registration number, year, and make of the vehicle.
 3. Interjurisdiction and intrajurisdiction operations must be reviewed to determine if the registrant has vehicles registered under IRP that did not travel into other IRP member jurisdictions during the preceding (18) months. The IFTA return may or may not include vehicles that are included on the IRP application.

Note: An “Apportionable Vehicle” is defined as any vehicle used or intended for use in two or more member jurisdictions.

IRP does not define what is meant by “intended for use”. Each auditor establishes intent for each carrier. If the registrant is unable to provide proof that a vehicle was operated or intended to operate interjurisdictionally, and the auditor determines that full fees should be assessed, the distance operated by that vehicle must be subtracted from the jurisdiction’s distance total and the fleet distance total. The vehicle could be assessed 100% of Idaho fees for the applicable time period the vehicle was deemed “not intended for use”. The distance percentages would then be re-calculated, and fees would either be assessed or refunded, depending on the adjustment to each jurisdiction’s distance percentage.

- B. Distance Records – Typical source documents are records that meet the IVDR requirements. Other source documents may include trip records, vehicle maintenance records, driver daily logs, employee timecards or earning records, dispatch reports, bills of lading, cash disbursement records, leases, titles, port observations, reports filed with the jurisdictions, and other operations records. (Note: A sample of the carrier’s distance source documents should be requested for inclusion with the audit file; *IRP Audit Procedures Manual, Section 502*).
1. All available fleet distance summaries (monthly, quarterly, and annually by unit) are compared to the IRP application. A summary is required for each July 1 to June 30 reporting period and must show the total fleet distance by unit, broken down by month or quarter for each jurisdiction. Distance summaries used to prepare the IRP application are reviewed to verify that summary information correlates to the filed IRP application. Any difference between the distance summaries and the IRP application should be considered an error. Allocation of total distance must be verified to ensure jurisdictional distance has been properly allocated to the various jurisdictions.
 2. Verification of the selected distance samples includes examining the selected IVDR’s for each test unit to determine if:
 - a. Required trip information is included;
 - b. Trip distance recorded is reasonably accurate and properly allocated among the jurisdictions traveled. Distance verification tools may include:
 - i. Odometer or Hubometer
 - ii. Official jurisdiction highway map
 - iii. Household goods carrier’s distance record book
 - iv. Automated distance software systems
 - v. Commercial road atlas
 - vi. Map mileage software program
 - c. Vehicle movement is continuous (odometer readings are sequential, preceding trip destination is same as next trip’s origin).
 - d. No unusual time lapses exist between trips.
 - e. Discrepancies should be discussed with the registrant and all material discrepancies should be noted.

Note: Under the IRP, accountable distances are the actual distances operated by an apportioned vehicle, interjurisdiction and intrajurisdiction, including loaded, empty, deadhead and/or bobtail distances. It is also the responsibility of the registrant of the vehicle in a long-term lease situation, which is where the owner-operated vehicles are on the fleet under the terms of an agreement with the registrant, to report all distances accumulated by the apportioned units.

Things to Remember

- A. In each audited registration year, a minimum of three months must be audited. The auditor should use their judgment for sample size.
- B. Bring reported distance up to the minimum and accept the longer distance unless you can determine that the distance was reported to the wrong jurisdiction.
- C. Carriers are paying fees based on past travel rather than current travel. ITD can make mistakes, so the auditor needs to check with the IRP Administrator at IDT if the totals are not logical.
- D. If the Idaho fee tier changes, use the rebill sheet with the report from ITD. Idaho fees will need to be computed, but the other jurisdictions will be as shown on ITD's audited distance report.
- E. When charging a registrant Idaho full fees, no credits will be given for other jurisdictions fees. (This is addressed in the new rewrite; other jurisdictions have different ideas.) These audits are not netted – Idaho fees are billed through the VA40 system. Other jurisdictions are sent copies showing “no credits” for their fees.
- F. “Preceding year” means the period of twelve (12) consecutive months immediately prior to July 1 of the year immediately preceding the commencement of the registration or license year for which apportioned registration is sought. The July, August, and September registrants go back one year more for their registration period.

P815 • Full Fee

The audit fieldwork consists of an opening conference, the auditor's evaluation of the records, and an exit conference.

- A. Opening Audit Conference
 - 1. The auditor will present identification credentials to the carrier.
 - 2. The auditor will ask the carrier to describe the business operations and recordkeeping process as it relates to the trucking portion of the business.
 - 3. The auditor will review the registration applications with the carrier and ask any questions the auditor may have as a result of the pre-audit research.

- B. Acceptable Recordkeeping Methods

Registrants must keep records to verify the accuracy of any Idaho Full Fee registration application submitted to the Idaho Transportation Department. No records are required for full fee vehicles registered at less than sixty-two thousand (62,000) lbs. gvwt or those registered at the maximum tier, of over fifty thousand (50,000) miles per reporting period. Registrants must keep records by

individual vehicle for each reporting period of July 1st through June 30th. Examples of records include, but are not limited to:

1. Distance Measuring Devices. Odometer, hubometer, GPS or perpetual life-to-date readings. Records must include the date the reading was recorded and the reading. When changing devices, the change must be properly documented.
2. Daily Trip Logs. Logs include the date of travel, origin and destination of the trip, and number of miles traveled. Logs may be supported by load tickets, billing invoices, or other original source documents that can verify miles traveled.
3. Number of Trip/Round Trip Miles. When making numerous short trips from the same origin to the same destination, records include the origin, destination, and round-trip miles. Computations must be supported by scale tickets, load tickets, a route map, or a Commission approved trip analysis.
4. Fuel Purchases. Retail fuel purchases are fuel invoices with the date, location, quantity, and type of fuel purchased. Bulk fuel records must be sufficient to prove the accuracy of the fuel use. Fuel purchase records must show the usage per unit. The records must document how the average miles-per-gallon (MPG) was calculated.

Credit for Off-Road

Miles and Documentation Required. Credit for off-road miles may be given for roads not maintained by a government entity or roads built or maintained by the registrant pursuant to a contract, according to Subsection 292.03 of these rules. These include roads on private property, roads under construction but not open to the public, and may include designated Forest Service roads. Off-road miles must be documented by using odometer readings, maps, contracts, GPS readings, or a Commission approved trip analysis.

Records Analysis

1. Review the carrier's records for the correct base period. The mileage reported on the application should match the carrier's records. When differences occur between the mileage application and the carrier's records, the information should be reviewed to determine what the correct mileage should be. If the audited miles do not match the application fee tier, additional fees may be owed ITD or a credit of fees may be due the carrier.
2. Use the records presented by the carrier and educate the carrier regarding the fuel and mileage records it is required to maintain.
3. If the carrier estimated mileage, they cannot be in the "Flat" tier. The carrier needs good records (odometer readings, etc.) to be in the Flat tier.
4. Document the accounting internal controls of the accounting system, carrier's recordkeeping, and the records reviewed for the audit report. Note any recommendations that may help the carrier meet the recordkeeping requirements.
5. The auditor should answer any questions the carrier has regarding the records reviewed by the auditor.

6. Documenting Off-Road Miles
 - a. Nontaxable miles are miles driven on roads which are not open to the public, not maintained by a governmental entity, and located on private property that are maintained by the property owner, as defined in [Subsection 292.03](#) of the Fuels Tax Rules.
 - b. Off-road miles must be documented using odometer readings, maps, or contracts. The auditor will validate the off-road miles using a variety of tools to include PC Miler software, published maps, or similar references.
6. Exit Audit Conference. The exit audit conference should be held after the audit fieldwork is completed. In some cases, it may be completed by mail or telephone, but it is preferable to conduct as much of the exit audit conference in person if possible. *(The exit conference will be documented in the audit notes.)*
 - a. Review preliminary audit findings with the carrier. Allow the carrier time to provide additional records. A post-audit document may be necessary in some cases, depending on the complexity of the audit.
 - b. Review the records with the carrier (including [Rule 422](#), which requires a second source of information) and make recommendations on how the carrier may improve its recordkeeping. Recommend that the carrier records odometer readings for all full fee vehicles each quarter, whether the vehicle has moved or not. These dates are March 31, June 30, September 30, and December 31. The base period is from July 1 to June 30 of the year prior to the registration year. Records should be retained for four years.
 - c. Inform the carrier of its protest rights and the protest procedures. Also, inform it of the interest provisions, as necessary.
 - d. Encourage the carrier to call with additional questions regarding the audit or if the carrier needs help with future applications.

P820 • Form 75

Evaluation of Accounting Internal Controls

The auditor's study and evaluation of the taxpayer's internal accounting control system has several identifiable phases.

A. Review and Documentation

The review of the system is an information-gathering phase in which the auditor, through inquiry and observation, determines the accuracy of the taxpayer's accounting policies and procedures. The auditor's objective is to obtain an understanding of the flow of transaction processing. As part of this process, the auditor will:

1. Determine if there have been changes in the taxpayer's accounting procedures or operations during the audit period;
2. Identify the records that the taxpayer keeps to support the Form 75 return;
3. Audit the support documentation and check with the taxpayer to determine if any pre auditing of support documentation is done prior to data entry; and

4. The auditor documents the understanding of the taxpayer's system of internal control in the work papers by completing a questionnaire designed for this purpose, or by diagramming or describing the flow of transactions in flowchart or narrative form.

B. Preliminary Evaluation

By studying and evaluating the internal control procedures, the auditor identifies apparent weaknesses in the internal control system.

C. Tests of Compliance

If controls are inadequate to permit reliance, the auditor may make a more extensive review and perform tests of compliance. If weaknesses identified in the preliminary evaluation preclude reliance, or if the auditor believes that more efficient or effective audit tests are possible without reliance, the auditor will plan audit procedures without any further study and evaluation of accounting control.

D. Report on Weaknesses

The extensiveness of the review of the system and whether tests of compliance are made are matters of the auditor's judgment. Any serious weaknesses identified will be formally and promptly reported to the taxpayer rather than at completion of the audit.

P825 • Fuel Distributor

Evaluation of Accounting Internal Controls

The auditor's study and evaluation of the licensee's internal accounting control system has several identifiable phases.

A. Review and Documentation

The review of the system is an information-gathering phase in which the auditor, through inquiry and observation, determines the licensee's accounting policies and procedures. The auditor's objective is to obtain an understanding of the flow of transaction processing. As part of this process, the auditor will:

1. Determine if there have been changes in the licensee's accounting procedures or operations during the audit period;
2. Identify the records the licensee keeps to support information entered on the tax returns;
3. Audit the support documentation and check with the licensee to determine if any review of support documentation is done prior to data entry; and

4. Document his or her understanding of the licensee's system of internal control in the work papers. This is accomplished by completing a questionnaire designed for this purpose or by diagramming and describing the flow of transactions. To clarify this understanding, the auditor may select a few transactions from each transaction type and trace them through the accounting system.

B. Preliminary Evaluation

By studying and evaluating the internal control procedures, the auditor identifies strengths and weaknesses in the internal control system.

C. Tests of Compliance

If internal controls are inadequate to permit reliance, the auditor may make a more extensive review and perform tests of compliance. If weaknesses identified in the preliminary evaluation preclude reliance, or if the auditor believes that more efficient or effective audit tests are possible without reliance, the auditor will plan audit procedures without any further study and evaluation of accounting control.

D. Report on Weaknesses

The extensiveness of the system review and whether tests of compliance are made are matters for the auditor's judgment. Any serious weaknesses identified should be reported promptly to the licensee rather than waiting for the completion of the audit.

Form 1450 Review (Discrepancy Issues)

This portion of the audit is a detailed examination and includes the cross-checkers' discrepancy reports. The auditor should expand the examination beyond the cross-checkers' discrepancy reports to include non-scheduled transactions such as casualty loss, transfers, deductions, and allowances.

A. Page One

1. Line 1 and Line 6, Beginning and Ending Inventory. The auditor reviews the licensee's inventory reconciliation. Beginning inventory must equal the ending inventory from the prior month. Unreconciled inventory gallons may indicate unreported or misreported taxable gallons. The auditor then must reconcile inventory to account for received and disbursed gallons.
2. Line 2 Receipts and Line 3 Disbursements. In Idaho, fuel receipts are reported on support Schedules 1, 2, or 3; and fuel disbursements are reported on Schedules 6, 7, 9, 10T, and 10U. Totals from these support schedules are carried to the respective Form 1450 line by fuel type. The schedule items have been cross-checked by FTRF audit support personnel prior to the audit. A discrepancy report is prepared by audit support for the auditor to identify issues unresolvable at the cross-checking level. Additional information obtained by the auditor during the field audit should resolve issues listed on the discrepancy report.

3. Line 4 Transfers. This line is used to move one product type to another. The auditor should verify these product transfers as a part of the audit and that the correct fuels tax was paid.
4. Line 5 Gain or (Loss). The auditor should verify any casualty losses entered.
5. Line 7 Gross Taxable Gallons. The auditor should check for mathematical accuracy.
6. Line 8 Tax Paid Purchases. The auditor verifies this entry by sampling techniques or detailed examination.
7. Line 9 Net Taxable Gallons. The auditor should check for mathematical accuracy.
8. Line 10 Deductions for Ethanol or Biodiesel. The auditor verifies that this entry is a maximum of ten percent of the total ethanol or biodiesel mixtures. Ethanol and biodiesel delivery receipts should be examined for blending percentage accuracy. This deduction ceased 5/31/09.
9. Line 11 Sub-total. The auditor should check for mathematical accuracy. This is line 10 after May 31, 2009.
10. Line 12 (All fuel types). Review the validity of the 2%-1% allowance. The 1% allowance will no longer apply as of December 1, 2007. This is line 10 after May 31, 2009.
11. Line 13 Tax Computation. The auditor should check for mathematical accuracy. This is line 11 after May 31, 2009.
12. Line 14 Bad debt write-offs (fuels tax portion only). Bad debt write-offs are valid only through November 30, 2007. The fuels tax portion of a bad debt cannot be written off until the debt is worthless and written off for income tax purposes. Verify that the write-off was for the fuels tax portion only and that it was also written off for income tax purposes.
13. Line 15 Gaseous Fuel Permit Fees. The auditor should check gaseous fuel decal permits and conduct a reconciliation of decals issued, sold, available for sale, destroyed/lost, etc. Be aware of the allowable proration of annual decal permit fees. This is line 12 after May 31, 2009.
14. Line 16 Net Tax Due. The auditor should check for mathematical accuracy. This is line 13 after May 31, 2009.

B. 1450 Page Two

1. Lines 17-25 Summary of tax due, penalty (if applicable), and interest. These are GenTax-calculated amounts. (Lines 14-22 after May 31, 2009.)
2. Transfer Fee Worksheet – Verify total transfer fee gallons compared to fuel received on the 1450 return. Transfer gallons are deducted from the total if gallons meet the following conditions:
 - a. Gallons are exported from Idaho
 - b. Gallons are sold to railroads
 - c. Gallons are repacked in quantities of 55 gallons or less

C. 1450 Receipt and Disbursement Schedules

In Idaho fuel receipts are reported on support Schedules 1, 2, or 3; and fuel disbursements are reported on Schedules 6, 7, 9, or 10T or 10U. The schedules are completed in detail by fuel type, load amount (gallons), supplier, date, bill of lading number, and other information. A bill of lading supporting the information entered on the schedules is maintained by the distributor. The different schedules are necessary to indicate whether fuels tax was paid or should be paid to the State of Idaho. The schedule totals are entered on Form 1450 by fuel type. Following is a brief description of the schedules utilized in Idaho:

1. Receipts (by fuel type):

- a. Schedule 1 Tax Paid – Individual loads of fuel (gallons) purchased by the distributor are listed that have already had the appropriate fuels tax paid to Idaho by the first receiver.
- b. Schedule 2 Tax Not Paid – Individual loads of fuel purchased by the distributor are listed that have not had the appropriate fuels tax paid to Idaho. This identifies the distributor being audited as the first receiver of the fuel loads, making it liable for paying the appropriate fuels tax.
- c. Schedule 3 Imports – Individual loads of fuel are listed that have been purchased by the distributor from suppliers in other states. These loads identify the distributor being audited as the first receiver of the fuel loads (in Idaho) and making it liable for paying the appropriate fuels tax.

2. Disbursements (by fuel type):

- a. Schedule 6 Tax Not Collected – Individual loads of fuel sold by the distributor are listed that have not had the appropriate fuels tax paid to Idaho. Usually this identifies the distributor being audited as the first receiver of the fuel loads and making it liable for paying the appropriate fuels tax. However, if the distributor has advance permission from the State Tax Commission, it may sell the fuel without the tax to another distributor (the second receiver) but is now liable for paying the appropriate fuels tax.
- b. Schedule 7 Exports – Individual loads of fuel are listed that were sold by the distributor to a customer in another state. The distributor is not necessarily liable for the Idaho fuels tax on these loads as long as the loads are: delivered in the receiving state, reported to the receiving state's fuels tax agency by the Idaho distributor, and the receiving state's fuel taxes are paid to it by the Idaho distributor. Usually, the Idaho distributor is also required to be licensed in the receiving state. These same loads should also have been reported on the distributor's Fuels Receipt Schedule (usually Schedule 2 or 3). If an export load has come from the distributor's bulk inventory, the cross-checkers should have listed it as a discrepancy due to their inability to cross-check it to a specific receipted load. The associated bills of lading need to be verified for all loads of this type to ensure proper reporting and compliance.

- c. Schedule 9 Tax Exempt (Idaho National Guard Only) – Individual loads of fuel are listed that were sold only to the Idaho National Guard and delivered directly into the National Guard’s bulk storage. The fuels tax exemption for this type of transaction must be supported by a U. S. Exemption Certificate signed by an authorized officer of the National Guard. These loads should also have been reported on the distributor’s Fuels Receipt Schedule.
- d. Schedule 10T Indian Tribe Use – Individual loads of fuel are listed that were sold by the distributor to qualifying members of an Indian tribe. These loads are exempt from Idaho fuels tax. These loads should also have been reported on the distributor’s Fuels Receipt Schedule. Customer name entries in the “Sold To” column should be one of the following tribal retailers on an Indian Reservation approved by the Tax Commission to purchase tax exempt fuel:
 - 1) Shoshone - Bannock Tribe
 - a) Bannock Peak Truck Stop (N. of Pocatello)
 - b) T.P. Gas Station (Ft. Hall)
 - c) Jet Stop (Pocatello Airport, Pocatello)
Make sure that only 15% of the diesel gallons are claimed on schedule 10T per the tribal agreement.
 - 2) Nez Perce Tribe
 - a) Valley Gas Store (Lapwai)
 - b) Thunderbird II C-Store (Lapwai)
 - c) Thunderbird II C-Store (Lenore)
 - d) Express II - Casino Station (S. of Lewiston)
 - e) Camas Express (Craigmont)
 - 3) Coeur d’Alene Tribe
 - a) Mahoney Petroleum (Plummer)
 - b) Benewah Auto Center (Plummer)
 - c) Worley Chevron - Casino Station (Worley)
 - d) Tensed Service Station (Tensed)
 - e) Fighting Creek Smoke Shop (Coeur d’Alene)
- e. Schedule 10U Indian Tribe Use – Individual loads of fuel are listed that were sold by the distributor to qualifying members of an Indian tribe. These loads are exempt from the Idaho transfer fee. These loads should also have been reported on the distributor’s Fuels Receipt Schedule. Customer name entries in the “Sold To” column should be one of the tribal retailers listed above under schedule 10T.

Other Audit Elements

- A. A list of **bulk tank** locations, size, and type of fuel should be compiled and reviewed.
- B. Relationships
 - 1. A list of **major suppliers** and any related issues should be compiled and reviewed.
 - 2. A list of **major customers** and any related issues should be compiled and reviewed.
- C. Any major issues arising since the last audit through the current audit period should be listed and discussed in depth with the distributor.

- D. **Dyed diesel** sales may involve sales tax exemption certificates (ST-101) and will need to be reviewed for timeliness, thoroughness of completion, signature, and date.
- E. Verbiage on retail receipts is specific as to content and disclosure. A sample review of receipts is necessary to ensure verbiage compliance and inclusion of the fuels tax.

Exit Conference

At the completion of the audit field work, an exit conference should be held to update the audit contact of the audit status. The information from the exit conference should be included in the audit narrative.

The exit conference discussion may include the following:

- A. Preliminary audit findings
- B. Estimated time to complete audit
- C. Recommendations
- D. Protest rights
- E. Audit questions

P900 • Post Audit Work

P905 • IFTA

- A. Review Audit Schedules
- B. Enter Discrepancies into GenTax IFTA Working Paper
- C. Analyze Error Projections & One-time Adjustments
- D. Closing Conference
- E. Preliminary Audit Results
- F. Recommendations
- G. Protest Rights
- H. Timetable

A. Closing Conference

A documented closing conference shall be held with the licensee outlining preliminary findings including applicable penalty and interest, recommendations to improve accounting and internal control procedures, rights of appeal, and identifying the person to whom the audit report should be addressed. The method by which said conference takes place is subject to the base jurisdiction's discretion and may include, but is not limited to, the following:

- A. In-person meetings
- B. Telephone discussions
- C. Written correspondence

- D. Facsimile transmissions
- E. Electronic mail messaging

If a closing conference is not held and/or completed, documentation must be provided in the audit notes that explains why.

B. Audit Reports

Licensee Audit Report

A complete report documenting the audit must be prepared by the auditor and contain the following minimum information:

- A. Name and address of licensee;
- B. Account and/or license number;
- C. Audit period;
- D. Types of records audited;
- E. Description of audit techniques employed;
- F. Net distance adjustment;
- G. Net tax-paid fuel purchase adjustment(s);
- H. MPG/KPL as reported;
- I. MPG/KPL as result of audit;
- J. Net fuel tax adjustment per jurisdiction;
- K. Remarks and recommendations; and
- L. Signature of auditor or reviewing jurisdictional official and date.

A. Audit Documentation File

The audit documentation file contains the outcome of the audit showing adjusted distance, fuel, and financial results. It documents and justifies the procedures followed by the auditor and the sources of the audit results. It communicates suggestions and recommendations made to the licensee in a clear and concise manner.

The audit file shall contain the following:

1. Administration
 - A. Notice of determination letter
 - B. Explanation of rights to appeal
 - C. Audit summary letter
 - D. Audit summary by jurisdiction

2. Audit Notes

Narrative notes include summaries of the audit findings. The auditor summarizes operation, records, internal accounting controls, conferences, findings, and auditor recommendations.

3. Exhibits

GenTax generates the audit's exhibits through the audit write-up program from the information in the audit schedules.

4. Schedules

- A. Summary schedules shall include reported and audited fuel and distance for each affected jurisdiction. They shall also include the assessment or refund for the jurisdictions and the net total assessment or refund due for the audit, including all penalties and interest.
- B. Supplementary schedules shall include additional detail for results on the summary schedules. The schedules will show how audited fuel and distances were calculated, and the computation of adjustment factors determined from a sample, if applicable.

5. Support Documentation

- A. Documentation includes samples of records reviewed, which support the audit results. These records include, but are not limited to, the following: detail of over-the-road retail or bulk fuel purchases, bulk fuel withdrawals, driver trip records (IVDR), and examples of any other source documentation used to support the IFTA return. This information may be manual or electronic.
- B. A listing of miscellaneous records shall indicate what records are maintained and presented by the licensee and whether the records comply with the Agreement.
- C. Include the completed IFTA audit program checklist for the supervisor's approval. Information on a completed checklist assures auditor compliance with the IFTA auditing requirements.

P910 • IRP

The registrant should be informed of any audit issues or discrepancies discovered during the field work. The auditor should make recommendations for improvements to resolve future issues or discrepancies.

- A. The Audited Mileage Table created in the work papers is sent to ITD for the adjusted fees upon completion of the audit.
- B. Upon receiving the distance table/adjusted fees from ITD, the final audited change in fees will be entered on the IRP NOD_NOR Worksheet template. Only Idaho interest will be calculated. The Audit Summary Letter is generated from the IRP NOD_NOR Worksheet template.
- C. After all the work papers are complete, the auditor will schedule a post audit conference with the registrant to explain the preliminary audit findings, taxpayer rights, and recommendations. The auditor should review the time parameters for billing due dates following the issuance of the Audit Summary Letter.
- D. At the completion of the audit, the auditor will write a draft of the audit notes.
- E. The Audit Summary Letter includes a Notice of Deficiency (NOD) or Notice of Refund (NOR). The registrant has 30 days from the Audit Summary Letter date to protest. In addition, the auditor should explain the other jurisdictions have 45 days to challenge the audit. The auditor should also discuss any questions that the carrier may have regarding the IRP rules or audit procedures.
- F. The work papers will include:

1. Audit Report
2. Audit Billing
3. Interest Billing
4. Audited Distance Table
5. Comparison of Summary
6. Distance Test
7. Application
8. Carrier Detail Report
9. Audit Notification Letter
10. Carrier Contact Log
11. Sample of registrant's distance records
12. Other documents as needed

Note: The account number should include six digits with a dash and another digit, for a total of seven. The address and contact person should also be checked for correctness and included on the Report page.

- G. Audit notes are finalized following the post audit conference. Then the audit is turned into the clerical review person. The clerical review person will send the audit to the supervisor for final review and approval.

P915 • Full Fee

Post fieldwork consists of analyzing the data collected during the field work phase of the audit and determining if any changes to the reported figures are appropriate. Based on the analysis of the taxpayer's records, the auditor will determine whether to issue a notice of deficiency, refund, or a no change audit. After the analysis and findings are completed, the auditor must compile an audit report for the carrier, which documents the audit result and supports the auditor's determination.

The audit report will include a narrative, which describes the auditor's analysis, findings and final determination. The auditor will also include work papers, schedules, notes, samples of documents reviewed, the carrier contact log, the audit notification letter, and other documents pertinent to the audit.

The carrier has the right to disagree with the audit result and protest the audit. The auditor is responsible for making sure the carrier is aware of its protest rights. The auditor should ensure that the carrier understands its rights and offers his assistance if the carrier does not understand the protest process.

Following are the steps for completing most audits:

- A. Complete the analysis of the carrier's records and prepare all supporting documents and the audit report narrative.
- B. Print the schedules, work papers, audit report, etc.; and assemble the audit file using the audit index. (Note: the voucher, if required, is created later by the clerical support staff.)

- C. Submit the audit file to the clerical support staff for review.
- D. The clerical support staff will review the audit file. The audit file may be returned to the auditor for corrections, as required. The clerical support review is a review of the format, content, and presentation of the audit result (e.g. grammar, spelling, punctuation, readability, etc.), not a review of the audit findings.
- E. After the appropriate wording and format corrections are made, clerical support submits the audit file to the auditor's supervisor for review.
- F. The auditor's supervisor reviews the audit file for accuracy and application of the law and rules. The audit file may be returned to the auditor for further corrections. Once the supervisor is satisfied with the audit file, the supervisor returns the file to clerical support for processing. The audit supervisor's review is primarily a review of the audit procedures and findings, but may also include a review of the format, content, and presentation.
- G. The clerical support staff processes the audit result. In the case of a deficiency, a payment voucher is created for the taxpayer. The original documents from the audit file, as noted on the audit index, are sent to the carrier for review. One copy is retained on file and one is sent to ITD. "Hardened" audit files are forwarded to ITD for collection. A "hardened" audit is an audit which has aged past the protest period without being fully paid. If the audit results in a deficiency and is not paid, the account is forwarded to the ITD collections department.

P920 • Form 75

- A. Fill out the fuel allowance worksheet to determine the percentage taken for each filing period. Verify that the invoices are for Idaho tax-paid fuel; otherwise, deny any claims made on the fuel. Also confirm that there is nontaxable use of the fuel. Fuels tax refund claims on gasoline must be at least 50 gallons annually. Note whether the taxpayer paid or should have paid any use tax.
- B. Contact the taxpayer if additional fuel or vehicle information is needed.
- C. Determine whether there are both taxable and nontaxable uses (mixed use) of any bulk fuel. Note that the taxpayer cannot use an exempt fuel percentage on his bulk undyed diesel if he also has bulk dyed diesel.
- D. Be sure to discuss any unique or problem cases with your manager.
- E. Apply the authorized percentage to the fuel purchases if applicable. Confirm that any retail or actual use gallons are supported by valid invoices. Enter audited figures into the Form 75 write-up approving or denying the gallons for refund.
- F. Write and finalize the review notes and submit the entire report for processing and review.
- G. Enter audit hours into GenTax timesheet.

P925 • Fuel Distributor

A. Post Audit Work

- 1. Review audit schedules
- 2. Enter discrepancies into GenTax FDT Working Paper
- 3. Analyze adjustments
- 4. Closing conference

5. Preliminary audit results
6. Recommendations
7. Protest rights
8. Timetable

B. Closing Conference

A documented closing conference shall be held with the licensee outlining preliminary findings including applicable penalty and interest, recommendations to improve accounting and internal control procedures, rights of appeal, and the identification of the person to whom the audit report should be addressed. The method by which said conference takes place is subject to the auditor's discretion and may include, but is not limited to, the following:

1. in person meetings
2. telephone discussions
3. written correspondence
4. facsimile transmissions
5. electronic mail messaging

If a closing conference is not held and/or completed, documentation must be provided in the audit notes explaining why.

C. Audit Reports

A complete report documenting the audit must be prepared by the auditor and at least contain the following information:

1. name and address of licensee;
2. account and/or license number;
3. audit period;
4. types of records audited;
5. description of audit techniques employed;
6. remarks and recommendations; and
7. signature of auditor or reviewing jurisdictional official and date.

A. Audit Documentation File

The audit documentation file contains the audit report (see above). It documents the outcome of the audit showing adjusted fuel and financial results, and justifies the procedures followed by the auditor and the sources of the audit results. It communicates suggestions and recommendations made to the licensee in a clear and concise manner.

The audit file shall contain the following:

1. Administration –
 - a. Notice of determination letter
 - b. Audit summary letter

2. Audit Notes – This narrative summarizes the audit procedures and findings, including operations, records, internal accounting controls, conferences, findings, and recommendations.
3. Exhibits – GenTax generates individual audit exhibits for each fuel type. It also generates an accumulated interest calculation summary for all fuel types.
4. Schedules – GenTax generates the following summary schedules:
 - a. Receipts and Disbursements
 - b. Product Transfers
 - c. Casualty Loss
 - d. Tax-Paid Purchases
 - e. Ethanol/Biodiesel Reported in Gasohol/Diesel
 - f. Gaseous Fuel Permit Fees
 - g. Transfer Fee Exemptions
5. Miscellaneous Documentation
 - a. A copy of the Audit Notification Letter and original signed waivers.
 - b. Documentation includes sample copies of records reviewed which support the audit results.
 - c. Discrepancy sheets generated by the FDT cross-checking unit.
 - d. The completed FDT audit program checklist for the supervisor 's approval. Information on a completed checklist assures auditor compliance with FDT auditing requirements.

P1000 • Protested Audit

P1001 • General Information

Idaho law allows the right to protest a notice of determination (NOD) received from the Tax Commission. Taxpayers have 63 days (30 days for registration fee audits) from the date the NOD is mailed to file a written protest to request a redetermination. When an audit is protested within the 63-day period, the file is reviewed to determine if the items protested are of a factual or legal nature. The postmark date, faxed date, or the email send date is the date considered for date of protest. Refer to **Section [63-3045, Idaho Code](#)**, for further guidance.

Wherever possible, the audit issues protested should be resolved within the bureau, unless the issues are of a legal nature. If attempts to resolve the protested issues within the bureau are unsuccessful, a Protest Summary is prepared, and the file forwarded to the Tax Commission's Tax Appeals section. Refer to **Section [P2530 • Protest Summary](#)** for further guidance.

P1005 • Perfected Protest

A "perfected" protest is one that is valid and can proceed to the next stage. To be valid, the written protest must contain the following information:

- taxpayer's name, address, and tax identification number (Social Security number, Federal Employer Identification Number, Idaho tax permit number, or Individual Taxpayer Identification number);
- tax period(s) the deficiency relates to;
- specific item(s) disagreed with; and
- factual or legal basis for the objections made.

If the protest does not include all the required information, the auditor's manager will send a letter telling the taxpayer what is needed to "perfect" their protest. The Tax Commission must receive the required information within 28 days from the date on the Tax Commission's letter notifying the taxpayer that the protest wasn't complete; otherwise, the NOD becomes final on the 29th day, and the taxpayer loses their right to appeal. When appropriate, the Tax Commission may reduce the amount of deficiency during the 28-day period.

If the protest includes all the required information, the auditor's manager will send an acknowledgement letter to the taxpayer.

Note: The inability to pay is not a valid protest issue, but rather grounds for settlement.

P1010 • Response to Protest: 14-Day Letter

When a perfected protest has been filed, the Tax Commission is required to provide the taxpayer with a written acknowledgment of the protest within fourteen (14) days. When a protest is timely and perfected, a 14-Day Letter response to the taxpayer's protest for issues that involve factual matters, require legal interpretation of the laws and rules applied in an audit, or both, is prepared and sent to the taxpayer.

P1015 • Response to Protest: Factual Matters

A protest that involves factual matters is one that requires the review of additional documentation, math or sampling errors, or any other type of error that does not require further interpretation of laws or rules. When this occurs, the audit file will be returned to the auditor for further review. The auditor will work with the taxpayer to resolve the outstanding issues. If all issues can be resolved, the auditor will adjust affected working papers (post deficiency adjustments) and forward the file to their manager for review.

Note: The auditor should complete the review within 90 days. Managers should follow up on audits that have been in protest for more than 90 days.

P1020 • Response to Protest: Legal Interpretation

A protest may require further legal interpretation of laws and rules that were applied in the audit. When this occurs, the auditor will be requested to complete a protest summary discussing the areas at issue and the auditor's stance. The manager will forward the protest summary, along with the audit file, to the bureau chief for review. Once the bureau chief has reviewed the protest summary and agrees with the findings, the file will be forwarded to the Tax Commission's Tax Appeals Section through the bureau's administrative support staff.

P1025 • Request to Withdraw a Protest

When the taxpayer is satisfied with the post-audit adjustments or desires not to continue the protest, they may request to withdraw their protest. If this occurs, the taxpayer will need to provide a written request to withdraw their protest. Once the request is received, the audit will be forwarded to the auditor's manager for final review.

P1030 • Protest Summary

A protest summary allows the auditor to respond to items at issue raised by the taxpayer in their perfected protest. This response, completed by the auditor using the approved Protest Summary template, should be limited to addressing items within the protest. The auditor may use applicable laws and rules to validate their stance.

Once completed, the protest summary is initially reviewed by the auditor's manager and subsequently by the bureau chief. If no further information or clarification is needed, the bureau chief will send submit the protest summary to the administrative support staff for attachment to the audit in GenTax. The administrative support staff then forwards the protest summary to the Tax Commission's Tax Appeals section.

Note: The completed Protest Summary becomes part of the audit file and may be reviewed by the taxpayer. It is necessary that the information contained in the summary be accurate, objective, and professional.

P1035 • Informal Conference

An informal conference allows the taxpayer to discuss the NOD and their protest with the Tax Commission. It is generally attended by the taxpayer and/or their representative and a Tax Appeals Specialist. A Tax Commissioner or representatives from the Idaho Office of the Attorney General may attend as well. No one is under oath, and the "rules of evidence" (as in a legal proceeding) do not apply.

The audit staff is not generally present during an informal conference. However, If the auditor and their manager are invited to attend, it should be noted that:

- a thorough review of the audit file prior to the conference is expected to provide answers to any questions asked;
- audit staff are guests and should not speak unless given permission by the Tax Commissioner or their designate;
- audit staff may be called upon to provide additional information or recommendations for items at issue;
- any comments made by audit staff must be made in a professional, objective manner; and
- proper business dress is required.

P1040 • Decision or Resolution

The Tax Commission must issue a final decision within 180 days of either:

- the conclusion of the informal hearing (unless the taxpayer was allowed extra time to provide new evidence or testimony); or
- the date of a written request from the taxpayer for a final decision on the issue. a request for a final decision must be the sole subject of their letter. If a final decision was requested, the Tax Commission may deny any further request to provide more evidence or documents or to appear at any proceeding during the 180-day period. Refer to [Tax Commission Administration and Enforcement Rule 325.04](#) for further guidance.

Note: The Tax Commission can delay a final decision if the taxpayer agrees in writing to waive the 180-day requirement. The waiver may be for a fixed period or open-ended.

The taxpayer can make an offer to settle their appeal. The written request must explain why the Tax Commission should accept an offer based on any of the following reasons:

- **disputed liability** - The taxpayer and the Tax Commission have a reasonable disagreement on the existence or amount of the tax liability under the law. The settlement amount is based on disputed liability and may take into account evaluated risks of litigation.
- **doubt as to collectability** - The taxpayer's assets and income may not be enough to pay the full amount of the liability. The settlement amount is based on the facts and circumstances of the case.
- **economic hardship** - The taxpayer could pay the liability in full but doing so would limit their ability to pay basic living expenses. The settlement amount is based on the facts and circumstances of the case.
- **promotion of effective tax administration** - This takes into account fairness and compelling public policy reasons that the taxpayer identifies. The settlement amount is based on the facts and circumstances of the case.

A Tax Appeals Specialist evaluates an offer, sometimes in consultation with other staff, and makes a recommendation to the Tax Commissioners. An offer is not final until the taxpayer receives a written settlement agreement signed by a Tax Commissioner or authorized delegate.

Note: When the Tax Commission makes a decision, an additional 91 days must elapse before any collection action may be taken. This allows the taxpayer time to appeal the case to the Board of Tax Appeals or District Court.

P1100 • Post-Deficiency Adjustments and Addenda

P1101 • Post-Deficiency Adjustments and Addenda

Post-deficiency adjustments are made after a deficiency has been issued and protested. These adjustments can arise when errors are noted in the audit or when a timely filed petition for redetermination results in:

- submission of factual documentation that supports claims of exemption;
- Tax Commission decisions arising from an informal conference;
- Board of Tax Appeals decisions; or
- decisions rendered by state and federal courts.

P1105 • Making Post-Deficiency Adjustments

The original working papers used to create a determination cannot be altered, since they are legal documents. Any schedules that require adjustments, if used, should reflect source of reference, item reviewed, any changes made, and reason for the result.

An amended Notice of Deficiency Determination (NODD) is not prepared, since this would reopen the period for filing a petition for redetermination, allowing the taxpayer an additional 63 days to protest the adjustment. Instead, only post-deficiency working papers will be prepared to support any adjustments.

The auditor may choose to create schedules addressing only the items at issue or use amended schedules to make adjustments. The amended schedules need to be clearly labeled as such and fully document reasons an item was adjusted. The size of the schedule and/or number of schedules needing to be adjusted should be taken into consideration when determining how post deficiency adjustments are made.

Appropriate comments related to specific adjustments made after the determination has been issued, items at issue that are unresolved, and appropriate Code and Rules should then be entered as an

addendum to the Audit Report, or as a separate Post-Deficiency Summary, and should be dated and signed. The auditor will then submit audit file to their manager for review.

P1110 • Taxpayer Requests for Post Deficiency Extension

Most post-deficiency work should be completed within 90 days. However, the taxpayer may request additional time to provide the requested information or documentation. When the request is reasonable, the auditor should set a new time and date for the taxpayer to respond. The auditor should discuss with their manager any requests for extensions that are not reasonable or when extensions exceed 180 days. All activity must be documented in the Contact log.

Note: The auditor must not allow more than 45 days to lapse without communicating with the taxpayer, unless an agreement for delaying communication past 45 days has been confirmed in writing.

P1200 • Audit Reversal

[Redacted pursuant to Idaho Code § 74-107(1)(b)] and Idaho Code § 74-107(15)]

P1300 • Communication of Audit Findings

P1305 • IFTA, IRP, and Full Fee

After completing the audit, an audit report is sent. The audit report is also sent to any member jurisdiction affected by the audit. Idaho will collect any fuel taxes, penalty (if applicable for IFTA), and interest owed by the licensee and transmit the funds to the appropriate jurisdiction(s) or refund any overpayment the licensee is due from Idaho and/or other member jurisdictions.

Following the closing conference and any review period deemed necessary, the base jurisdiction will provide the licensee with the Licensee Audit Report and its customary determination notice which signifies the beginning of the licensee's appeal period.

On the same day the report is provided to the licensee, the report is uploaded to the Clearinghouse to notify other affected jurisdictions. An affected jurisdiction is any jurisdiction to which the licensee reported or accrued miles/kilometers and/or fuel or experiences any changes in the reported vs. audited calculations during the audit period. The Licensee Audit Report shall be considered finalized when the notification of assessment or billing issued to the licensee triggers the right to appeal such assessment or billing. Where a licensee does not agree with the initial notification of audit findings and the base jurisdiction has granted more time to review the audit results and/or review additional records before the formal appeals process begins, the Licensee Audit Report will not be considered finalized.

Member jurisdictions may request copies of the audit reports and work papers. A copy of the audit report, work papers, supporting documentation, and any pertinent post-audit communications must be maintained by the base jurisdiction as part of the audit file for a period of four years from the date of completion of the audit.

Fuel tax adjustments resulting from audit findings will be documented and included on monthly IFTA transmittals. In the event the results of the audit indicate funds are owed to affected member jurisdictions and the licensee remits payment in full on or before the due date established by the base jurisdiction, such funds shall be remitted by the base jurisdiction to affected member jurisdictions by the last day of the month following the month in which the payment was received. In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit payment to the base jurisdiction by the last day of the month following the month in which a transmittal was received.

Request for a Redetermination

The licensee and other affected jurisdictions may request a redetermination (protest) of the IFTA audit results issued by the Idaho State Tax Commission. The request for redetermination must be filed in writing. Failure to protest within established timeframes will result in a final determination, and no further adjustment can be made to the audit findings.

Protest Periods

- A. The licensee has 30 days from the audit report date, to protest the audit findings.
- B. Other affected jurisdictions have 45 days from the audit report date to protest the audit findings.
- C. The Idaho State Tax Commission must render a decision on a perfected protest within 180 days from the date the licensee requests a decision from the Commission.

Once the request for a redetermination is filed, the licensee is given a reasonable period of time to submit additional information to support its request. The auditor has 90 days to review the additional information and obtain the licensee's approval for any revisions to the original audit. If the licensee does not accept the revised audit, the audit protest is forwarded to the Legal Department. The licensee may request an informal hearing. The licensee may appear in person or be represented at any hearing. It may produce witnesses, documents, or other information to support the request for redetermination.

The Tax Commission must notify the licensee of the results of its request for redetermination. If it still disagrees with the findings, the licensee has two options:

- A. The licensee may request any or all member jurisdictions to audit their records. Each jurisdiction may accept or deny the request. Jurisdictions will only audit their portion of the licensee's operation. The licensee must make their records available at a place designated by

those member jurisdictions. Any further request for redetermination of any jurisdiction member findings will proceed according to the fuels tax laws of that jurisdiction.

- B. The licensee may appeal to the Idaho Board of Tax Appeals or the Idaho District Court.

P1310 • Form 75 and Fuel Distributors

A. COMMUNICATION OF REVIEW FINDINGS

After completing the audit, the audit report, including a notice of determination, is sent to the taxpayer by certified mail. This signifies the beginning of the taxpayer's 63-day appeal period. The Audit report "hardens" and is final after this appeal period, if no protest is received by the Tax Commission.

When a taxpayer does not agree with the audit findings and desires more time to review the results, a written protest must be submitted requesting a redetermination.

B. REVIEW PROTEST

1. Request for a Redetermination

- a. The taxpayer may request a redetermination (protest) of the Form 75 Audit results issued by the Idaho State Tax Commission.
- b. The request for redetermination must be filed in writing prior to the end of the protest period.
- c. Failure to make a request will result in a final determination, and no further adjustment will be made to the review findings.

2. Protest Periods

- a. The taxpayer has 63 days from the Audit report date to protest in writing.
- b. The Idaho State Tax Commission must render a decision on a perfected protest within 180 days from the Audit report date.

Once the redetermination request is filed, the taxpayer is given a reasonable period of time to submit more information to support his request. The auditor has 90 days from the Audit report date to revise the results of the review and for the taxpayer to accept the revision. If the taxpayer does not accept the revision, the review is forwarded to the Legal Department. The taxpayer may request an informal hearing. The taxpayer may appear in person or be represented at any hearing. He may produce witnesses, documents, or other information to support the request for redetermination.

The Tax Commission must notify the taxpayer of the results of his request for redetermination. If he still disagrees with the findings, the taxpayer may appeal to the Idaho Board of Tax Appeals or the Idaho District Court.

Definitions

APPLICATION FOR TITLE

Document that indicates a title has been applied for.

APPORTIONED

Synonymous with IRP (International Registration Plan). A multi-jurisdictional reciprocity agreement for licensing vehicles operating in two (2) or more member jurisdictions.

APPORTIONMENT PERCENTAGE (effective January 1, 2015)

“Apportionment Percentage” means the ratio of the distance traveled in the Member Jurisdiction by a Fleet during the Reporting Period to the distance traveled in all Member Jurisdictions by the Fleet during the Reporting Period, calculated to six decimal places, rounded to five decimal places, and multiplied by one hundred.

APPORTIONABLE VEHICLE

The carrier's registered “Apportionable Vehicle” is any vehicle (except recreational vehicles, vehicles displaying restricted plates, city pick-up and delivery vehicles, buses used in transportation of chartered parties, and Government-owned vehicles), used or intended for use in two or more member jurisdictions that allocate or proportionally register vehicles and is used for the transportation of persons for hire or designed, used or maintained primarily for the transportation of property and:

1. Is a power unit having two (2) axles and gross vehicle weight or registered gross vehicle weight (GVW) in excess of 26,000 pounds; or
2. Is a power unit having three (3) or more axles, regardless of weight; or
3. Is used in combination, when the weight of such combination exceeds 26,000 pounds or 11,793.401 kilograms gross vehicle weight.

Trucks and truck tractors, and combinations of vehicles having a gross vehicle weight of 26,000 pounds or 11,793.401 kilograms or less and buses used in transportation of chartered parties may be proportionally registered at the option of the registrant.

AUDIT

The physical examination of the source documentation of the licensee’s operations either in detail or on a representative sample basis; evaluation of the internal controls of the licensee’s accounting system and operations; and the accumulation of sufficient competent evidential matter to afford a reasonable basis for determining whether or not there are any material differences between actual and reported operations for each affected jurisdiction.

AUXILIARY ENGINE

An auxiliary engine is fueled by the main supply tank of a vehicle but is separate from the main engine that propels the vehicle. For example, auxiliary engines are used to operate equipment such as refrigeration units, carpet cleaning units, and other equipment that is not used to propel the vehicle.

BASE JURISDICTION

The jurisdiction where qualified motor vehicles are based for vehicle registration purposes, where the operational control and operational 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 IFTA fleet.

BILL OF SALE

Document showing ownership of the vehicle has changed. A Bill of Sale must contain at minimum, the name of the buyer, name of the seller, seller's signature, complete vehicle description (year, make, vehicle identification number), purchase price and purchase date of the vehicle.

BUS

A motor vehicle designed for carrying more than 10 passengers and used for the transportation of persons. "Bus" is defined in the IRP as a motor vehicle designed for carrying more than 10 passengers and used for the transportation of persons. Motor bus carriers may declare distance by using the total of all actual, in-jurisdiction distance, or by using a sum equal to the scheduled route distance per jurisdiction from the farthest point of origination to the farthest point of destination.

BULK FUEL

Fuel kept in a tank that will be redistributed (does not directly supply an engine). This includes mobile fuel tanks used for fueling other pieces of equipment, and fuel kept in a small tank in the bed of a pickup truck (slip tank) regardless of the size of the container. Bulk storage fuel may be either gasoline or diesel, dye-added or undyed.

CAB CARD

A registration card or license issued to a vehicle and registrant which authorizes operation of the vehicle on the highways. For purposes of IRP registration, a "Cab Card" means an evidence of registration, other than a Plate, issued for an Apportioned Vehicle registered under the Plan by the Base Jurisdiction and carried in or on the identified vehicle.

CARRIER

An individual, partnership, or corporation engaged in the transportation of goods or persons.

COMBINED GROSS VEHICLE WEIGHT

The total unladen weight of the combination of vehicles and their load.

COMMERCIAL VEHICLE

A vehicle or combination of vehicles used or maintained for the transportation of persons for hire, compensation or profit.

COMMISSIONER

The official designated by the jurisdiction to be responsible for administration of the IFTA agreement.

COMMERCIAL VEHICLE SERVICES (CVS)

Now known as Motor Carrier Services (Registrations and Permits), with Ports of Entry directly under the Division of Motor Vehicles.

COMMODITIES

Cargo hauled on a vehicle.

COMMON CARRIER

Any motor carrier which holds itself out to the general public to engage in the transportation by motor vehicle of passengers or property for compensation.

CONTRACT CARRIER

Any motor carrier transporting persons or property for compensation or hire under contract to a particular person, firm or corporation.

CREDENTIALS

Registration, plates and stickers that validate a vehicle license.

DIESEL FUEL, UNDYED

Fuel with no dye added that may be used for any purpose, including operating or propelling a motor vehicle on public highways. In Idaho, as in most other jurisdictions, tax is included in the purchase price of undyed diesel fuel. For more information on undyed diesel, read Publication FT-1, How Idaho Taxes Diesel Fuel.

DIESEL FUEL, DYE-ADDED

Dyed fuel may be used for purposes other than to operate a registered motor vehicle on public roadways. The fuel is dyed red in accordance with U.S. Environmental Protection Agency and Internal Revenue Service regulations. In Idaho, special fuels tax is not charged on dye-added diesel fuel, but the fuel becomes subject to that tax if it is used in a taxable manner. Dye-added diesel fuel may be subject to sales and use tax.

Note: The use of dye-added diesel fuel in most registered vehicles and in unregistered vehicles equipped for highway use is prohibited by federal and state law. This includes vehicles that never leave private

property or that operate entirely on job sites or Forest Service roads. Even occasional use of dye-added fuel will contaminate the vehicle's fuel tank and is against the law.

DISTANCE

As recorded from individual vehicle distance records, a compilation of the actual operation of apportioned fleets of vehicles.

DOT NUMBER

Number issued by the Federal Motor Carrier Safety Administration (for interstate carriers) or the Idaho State Police, Commercial Vehicle Safety Office (for intrastate carriers). This number is used for purposes of tracking safety and vehicle inspections. It is generally issued to carriers with vehicles over 10,000 pounds, with some exceptions.

EIN

A nine-digit number assigned by the Internal Revenue Service to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes.

ESTABLISHED PLACE OF BUSINESS

Established place of business means a physical structure located within the base jurisdiction that is owned or leased by the applicant or registrant and whose street address shall be specified by the applicant or registrant. This physical structure shall be open for business and shall be staffed during regular business hours by one or more persons employed by the applicant or registrant on a permanent basis (i.e. not an independent contractor) for the purpose of the general management of the applicant's or registrant's trucking related business. Records concerning the fleet shall be maintained at this physical structure (unless such records are to be made available in accordance with the provisions of IRP). The base jurisdiction may accept information it deems pertinent to verify that an applicant or registrant has an established base of business within the base jurisdiction.

FACTORY PRICE

The manufacturer's retail price, excluding trade-in and sales tax, including accessories or modifications attached to the vehicle.

FARM VEHICLE

A vehicle or combination of vehicles owned by a farmer or rancher that is operated over public highways and used exclusively to transport unprocessed agricultural, dairy, or livestock products raised, owned, and grown by the owner of the vehicle to market or place of storage; and includes the transportation by the farmer or rancher of equipment, supplies, or products purchased by that farmer or rancher for his own use.

FLEET

One or more apportionable vehicles. (For purposes of IRP, a fleet is determined by the jurisdictions for which a carrier's vehicles are registered.)

FOREIGN FULL FEE

Registration issued to vehicles based in jurisdictions other than Idaho which pay the full Idaho registration fees rather than permitting or apportioning.

FREE FLOW AGREEMENTS

Special agreements between jurisdictions, or parts of other agreements, that allow vehicles to operate "free" of registration fees in the signatory jurisdictions, other than the base jurisdiction.

FUEL PERMIT

International Fuel Tax Agreement Permits are issued to carriers operating in more than one IFTA jurisdiction.

FULL FEE

Registration program for registering vehicles for Idaho only.

FULL TRAILER

A vehicle without motive power designed for carrying persons or property, being drawn by a motor vehicle, and so constructed that no part of its weight rests upon the towing vehicle.

GCW

Gross Combined Weight – the weight of a combination of vehicles without load, plus the weight of any load on that combination.

GCWR

Gross Combined Weight Rating, or combined GVWR, is calculated by adding the GVWR of each unit or the combination vehicle.

GVW

Gross Vehicle Weight – the weight of a vehicle without load, plus the weight of any load on that vehicle.

GVWR

Gross Vehicle Weight Rating is the manufacturer's assigned weight rating for the vehicle (truck/bus/trailer), not the vehicle's registered weight. On trucks, the GVWR is usually found on a metal plate inside the driver's door. On trailers, it may be anywhere but is commonly found on the front of the

trailer on the driver's side. For weight enforcement purposes, the actual weight of the vehicle with its current load will be used in place of GVWR.

HIGHWAY

A roadway open for use by the public that is maintained by the State of Idaho or its political subdivisions (county, city, agency or district) or the federal government.

HOUSEHOLD GOODS CARRIER

Carriers handling (1) personal effects and property or to be used in a dwelling; (2) furniture, fixtures, equipment, and the property of stores, offices, museums, institutions, hospitals or other establishments. "Household Goods Carriers" are defined in the IRP as carriers handling (1) personal effects or property to be used in a dwelling; (2) furniture, fixtures, equipment, and the property of stores, offices, museums, institutions, including objects of art, displays and exhibits which because of their unusual nature or value require the specialized handling and equipment usually employed in moving household goods; and shall include owned or leased equipment and their entire service representative family.

The vehicle can be based in the base jurisdiction of the service representative or that of the carrier. If the base jurisdiction is that of the service representative:

- The registrant is the service representative.
- Fees will be based on the combined records of the service representative and the carrier.
- Records must be kept or made available in the service representative's base jurisdiction.

If the base jurisdiction is that of the carrier:

- The registrant is the carrier.
- Fees will be based on the combined records of the carrier and the service representative (including any intra-jurisdiction distance).
- Records must be kept or made available in the carrier's base jurisdiction.

HVUT

Federal Heavy Vehicle Use Tax (HVUT) charged by the Internal Revenue Service on vehicles 55,000 pounds and over.

IDENTIFICATION

The term used to describe license plates, stickers, and registration.

IFTA

International Fuel Tax Agreement. Permits are issued to carriers operating in more than one IFTA jurisdiction.

IFTA FLEET CONSOLIDATION

The approved consolidation of IFTA fleets which are based in two or more jurisdictions, into one reporting jurisdiction. The IFTA commissioners of two or more affected jurisdictions may allow a person to consolidate several IFTA fleets that would otherwise be licensed in two or more jurisdictions, and subject to multiple IFTA returns.

If a fleet has apportioned registration for IFTA-qualified vehicles in Idaho, an Idaho IFTA license should be obtained unless an IFTA consolidation has been approved and the consolidated IFTA license is approved for reporting by another jurisdiction.

IFTA-QUALIFIED VEHICLES

Vehicles included in an IFTA fleet that usually travel in more than one jurisdiction. For IFTA fuels use tax reporting, a qualified motor vehicle is one designed to transport persons or property and:

- is a power unit with two axles and a gross vehicle weight or registered gross vehicle weight of more than 26,000 pounds; or
- is a power unit with three or more axles regardless of weight; or
- is a tractor-trailer combination, with a combined gross vehicle weight or registered gross vehicle weight of more than 26,000 pounds.

A vehicle that does not meet the definition of an IFTA-qualified motor vehicle may not be included in an IFTA fleet, may not display an IFTA decal, and may not be included in the data reported on your IFTA fuel tax return.

Recreational vehicles, such as motor homes, pickup trucks with attached campers, and buses that are used exclusively for personal pleasure do not qualify for the IFTA program.

INDIVIDUAL VEHICLE MILEAGE AND FUEL REPORT (IVMR)

A document or form used to capture information on the day-to-day operations of each truck in an IFTA fleet. This usually is a trip envelope filled out by the driver.

INTEREST

Interest charges are added when a taxpayer files late or doesn't pay all of the tax due by the due date of the return. Interest will be charged on the tax owed at a daily rate established by law. Interest is also

refunded to the taxpayer at the same rate for overpayment of motor fuels tax if identified during the audit review.

Note: Partial payments are credited first to any interest and second to tax.

INTERSTATE

A vehicle that crosses a jurisdiction's border or that crosses a jurisdiction line.

INTRASTATE

A vehicle that is picking up a load within a jurisdiction and delivering it to another location within that jurisdiction or a vehicle that is working within a particular jurisdiction.

IRP

The International Registration Plan reciprocal agreement that allows carriers to register in multiple jurisdictions through their base jurisdiction.

JURISDICTION

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.

LEASE

A written document vesting exclusive possession, control of and responsibility for the operation of the vehicle to the lessee for a specific period of time. A long-term lease is for a period of 30 calendar days or more. A short-term lease is for a period of less than 30 calendar days.

LESSEE

A person that is authorized to have exclusive possession and control of a vehicle owned by another under terms of a lease agreement.

LESSOR

A person, firm or corporation which, under the terms of a lease, grants the legal, right of possession, control of, and responsibility for the operations of the vehicle to a person, firm or corporation.

MAXIMUM GROSS WEIGHT

The scale weight of a vehicle, equipped for operation, plus the maximum load to be carried as declared by the owner. The term “maximum gross weight” means the combined gross weights of all vehicles in the combination.

MEMBER JURISDICTION

A jurisdiction that has applied and has been approved for membership in the International Registration Plan.

MILES PER GALLON (MPG)

Total gallons of fuel consumed divided into total miles traveled. For IFTA returns, this includes all fuel used by the IFTA fleet vehicles regardless of where or how it was obtained. Total miles are miles traveled everywhere, including off-highway miles and miles driven under a temporary permit for fuels tax.

MIXED USE

Mixed use is a term used when fuel is withdrawn from a bulk tank for both taxable and nontaxable use.

MOTOR CARRIER

An individual, partnership, corporation, or other legal entity engaged in the transportation of persons or property in the furtherance of a business or for hire.

MOTOR CARRIER SERVICES

Previously a section with Commercial Vehicle Services (CVS), now its own section and includes the Registrations and Permits Units.

MOTOR VEHICLE

A vehicle which is self-propelled by power other than muscular power and which does not move on rail.

NON-COMMERCIAL VEHICLE

Shall not include those vehicles required to be registered under Sections 49-402 and 49-402(a), Idaho Code, and means all other vehicles or combinations of vehicles which are not commercial or farm vehicles, but shall include those vehicles having a combined gross weight not in excess of 60,000 pounds and not used in the furtherance of a business or occupation for compensation or profit or for transporting goods for other than the owner.

NONTAXABLE FUEL

Fuel used to operate unregistered equipment that is not drawn from the supply tank of a motor vehicle. This fuel may not be included on any part of the IFTA return. Although this fuel is not subject to the special fuels tax, it is subject to sales and use tax in Idaho.

NONTAXABLE MILEAGE

Miles traveled that are not subject to the motor fuel tax laws. Each jurisdiction has its own unique definition of nontaxable mileage. In Idaho, nontaxable miles occur when your vehicle operates under a temporary permit for fuels tax or off-highway.

OFF-HIGHWAY MILES (IDAHO ONLY)

Off-highway miles are nontaxable miles which are miles not driven on a highway such as Forest Service roads maintained with private funds, roads on private property and roads being constructed which are not open to the public.

OVER-THE-ROAD (OTR) FUEL PURCHASES

Fuel placed directly into the main supply tank of a vehicle from the seller's or retailer's tank.

OWNER

Any person, firm, or corporation, other than a lien holder, holding legal title to a vehicle.

PENALTY AND INTEREST

Charges added when a licensee files late or doesn't pay all of the tax due by the due date of the return. Interest will be charged on the tax owed to each jurisdiction at a rate of per month or any part of a month, if the licensee has an overpayment due to any jurisdiction. See Appendix O for more detailed information about penalty and interest.

Note: Partial payments are credited first to any interest, second to tax, and then to any penalty.

POWER TAKE-OFF (PTO) EQUIPMENT

The vehicle-mounted equipment that is powered by the main engine that also propels a motor vehicle. Some examples of PTO equipment are trash compactors, concrete mixers, sewage pumps, and conveyors or other loading/unloading devices on vehicles.

POWER UNIT

Bus, Truck, Truck-Tractor, Road Tractor or Tractor.

POWER OF ATTORNEY

A legal document authorizing one person to act on behalf of another (certain restrictions may be identified).

PRECEDING YEAR

The period of twelve (12) consecutive months immediately prior to July 1 of the year immediately preceding the commencement of the registration or license year.

PRIVATE CARRIER

A person, firm, or corporation which utilizes its own trucks to transport its own freight.

PROPERLY REGISTERED VEHICLE

A vehicle which has been registered in full compliance with the laws of all jurisdictions in which it is intended to operate.

PROOF OF PURCHASE

Bill of sale, application for title, or title that identifies the new owner and the vehicle.

PURCHASE PRICE (VEHICLE)

For purposes of IRP registration, the actual purchase price, if reasonable, of a vehicle including the value of any trade-in or other valuable consideration, cost of accessories and modifications. Excluded are applicable federal excise taxes, state and local sales or use taxes, transportation or shipping costs, or preparatory or delivery costs.

RECIPROCITY AGREEMENT

An agreement, arrangement, or understanding between two or more jurisdictions under which each of the participating jurisdictions grants reciprocal rights or privileges to properly registered vehicles that are registered under the laws of other participating jurisdictions.

RECORDS REVIEW

Records Review means an evaluation of a registrant's distance accounting system and internal controls to assess the registrant's compliance with the requirements of the plan. Unlike an audit, a Records Review focuses only on the adequacy of the internal controls and the record-keeping system; it may be limited in scope to less than a full registration year; it may be conducted before the registrant's first registration renewal; and it does not result in any fee adjustments.

REGISTERED GROSS WEIGHT

The scale weight of the tractor or truck-tractor equipped for operation and the maximum load that may be carried as declared by the owner in applying for registration.

REGISTRATION (CAB CARD)

A registration card or license issued to a vehicle and registrant which authorizes operation of the vehicle on the highways.

REGISTRATION FEE

The total fee required under the laws of each jurisdiction for each vehicle at the regular annual or unexpired portion of the registration year.

REPORTING PERIOD

Reporting Period means, the period of twelve consecutive months immediately prior to July 1 of the calendar year immediately preceding the beginning of the registration year for which apportioned registration is sought. If the registration year begins on any date in July, August, or September, the reporting period shall be the previous such twelve-month period.

REVOCACTION

The withdrawal of license and privileges by the licensing jurisdiction.

ROAD TRACTOR

Every motor vehicle designed and used for drawing other vehicles and not so constructed as to carry any load thereon either independently or any part of a vehicle or load so drawn.

SEMI-TRAILER

A vehicle without motive power designed for carrying persons or property and for being drawn by a motor vehicle and so constructed that some part of its load rests upon, or is carried by, the towing vehicle.

SINGLE STATE REGISTRATION SYSTEM (SSRS)

An authority registration program for carriers operating interstate, for-hire, hauling non-exempt commodities.

SPECIAL FUELS

Includes diesel, biodiesel, biodiesel blends, propane, and natural gas.

STATUTE OF LIMITATIONS

The time limit during which either the licensee or the jurisdiction may change the information reported on an original IFTA return and create an additional tax due or a refund. In Idaho, the statute of limitations is three years from the due date of the return, or the date it was filed, whichever is later.

SUSPENSION

The temporary removal of privileges granted to the licensee by the licensing jurisdiction.

TAX-PAID GALLONS*

Gallons of fuel that have a jurisdiction's fuels tax included in the purchase price, including fuel bought at retail stations or delivered in bulk.

*When motor fuels are purchased from an Indian-owned retail outlet in Idaho, the purchase price does not include the Idaho motor fuels tax and does not qualify as an Idaho tax-paid purchase. See "Untaxed Fuel Purchased on Idaho Indian Reservations".

TEMPORARY PERMIT

A permit that allows conditional travel in a jurisdiction. A temporary permit may be purchased at ports of entry or from authorized permit agents on a trip-by-trip basis. A temporary permit may include fees for registration, weight distance tax, fuels tax, other elements, or any combination of these. A temporary permit may expire when you leave a jurisdiction or at the end of a specified time period.

TIN

This is a general term that refers to either the Employer Identification Number (EIN) or Social Security Number (SSN).

TITLE

Document issued to a vehicle to indicate ownership.

TOTAL DISTANCE

Total Distance means all distance, including that accrued on trip permits, operated by a fleet of apportioned vehicles. Total Distance includes the full distance traveled in all vehicle movements, both interjurisdictional and intrajurisdictional, and including loaded, empty, deadhead, and bobtail distance. Distance traveled by a vehicle while under a trip lease shall be considered to have been traveled by the lessor's fleet.

TRACTOR

Every motor vehicle designed and used primarily for drawing other vehicles, but not so constructed as to carry a load other than part of the weight of the vehicle and load so drawn.

TRAILER

Every vehicle without motive power designed to carry property or passengers wholly on its own structure and to be drawn by a motor vehicle.

TRIP PERMIT

A temporary permit issued by a jurisdiction in lieu of regular registration or reciprocity.

TRUCK

Every motor vehicle designed and used primarily for the transportation of property.

TRUCK TRACTOR

Every motor vehicle designed and used primarily for drawing other vehicles, and so constructed as to carry a load other than a part of the vehicle and load so drawn.

TVC

Temporary Vehicle Clearance, authorizes operation of a vehicle for up to 45 days until registration and plates can be issued. (May be referred to in other jurisdictions as Temporary Authority – TA or Temporary Operating Authority – TOA.)

UNLADEN WEIGHT

The weight of a vehicle fully equipped for service excluding the weight of any load.

USE FEE-ROAD USE FEES

Road Use Fees for vehicles moving non-reducible vehicles and/or loads are separate fees paid above and beyond the registration fees. The road use fees are collected on a single trip permit at the time it is issued. The road use fees for annual permits are reported (laden distance only) and paid on quarterly statements.

UTILITY TRAILER

Trailer constructed for the purpose of carrying property and not to exceed 6,000 pounds declared gross vehicle weight.

VEHICLE

Every device in, upon, or by which any person or property is or may be transported or drawn upon a highway, excepting devices moved by human power or used exclusively upon rails or tracks.

VEHICLE CONFIGURATION

The actual number of vehicles in the configuration, i.e., truck tractor and 3 trailers; or truck tractor and two trailers.

VEHICLE IDENTIFICATION NUMBER (VIN)

The numbers and letters generally assigned to a vehicle by the manufacturer for the purpose of titling and registering.

Additional IFTA/IRP Audit Information

IFTA

[IFTA-Articles of Agreement](#)

[IFTA- Audit Manual](#)

[IFTA Procedures Manual](#)

IRP

[International Registration Plan-Effective January 1, 2016](#)

[International Registration Plan Procedures Manual-Effective January 1, 2016](#)

[IRP- Records Review Best Practice Documents](#)

[IRP Audit Training Manual-December 2008](#)

Appendix

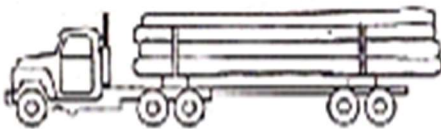
Appendix A – Types of Units/Trailers



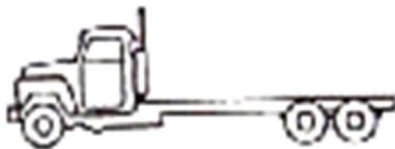
Bus (BS) - A vehicle designed for carrying more than 10 passengers and used for the transportation of persons.



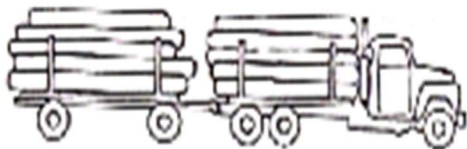
Mobile Home Toter or Road Tractor (RT) - Every motor vehicle designed and used for drawing other vehicles and not so constructed as to carry any load thereon either independently or any part of the weight of a vehicle or load so drawn.



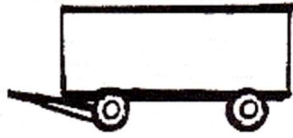
Tractor (TR) - A motor vehicle designed and used primarily for drawing other vehicles but not so constructed as to carry a load other than a part of the weight of the vehicles and load so drawn.



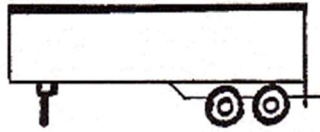
Truck (single) (TK) - Every motor vehicle designed, used or maintained primarily for the transportation of property.



Truck-Tractor (TT) - A motor vehicle designed and used primarily for drawing other vehicles but so constructed to carry a load other than a part of the weight of the vehicle and load so drawn.

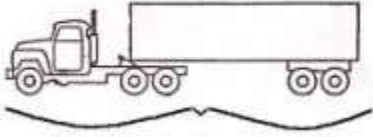


Full Trailer (FT) - A vehicle without motive power, designed for carrying persons or property and for being drawn by a motor vehicle and so constructed that NO part of its weight rests upon the towing vehicle.



Semi-Trailer (ST) - A vehicle without motive power, designed for carrying persons or property and for being drawn by a motor vehicle and so constructed that some part of its weight and that of its load rests upon or is carried by the towing vehicle.

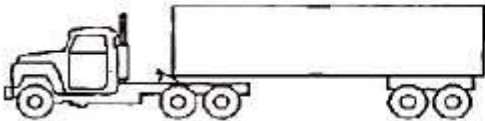
Appendix B – IRP Weight Classifications



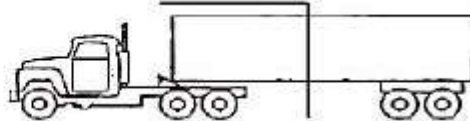
Combined Gross Weight

Combined Gross Weight - The weight of a tractor or truck-tractor plus the weight of any trailer or semi-trailer with cargo transported thereon. *

Gross Weight - The unladen weight (empty weight of a vehicle) plus the weight of the load carried on that vehicle. For vehicles in combination, the gross weight of the power unit plus the loaded weight of the portion of the trailer resting on the axles of the power unit. For the trailer, gross weight is equal to empty weight plus the weight of the heaviest load to be transported on the rear axle. *



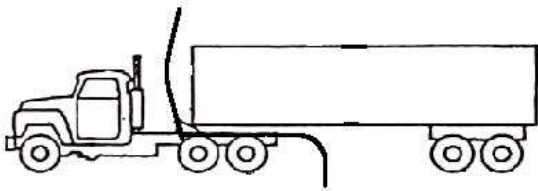
Truck Gross Weight



Truck Gross Weight

Semi-Trailer Gross Weight

* Combined Gross Weight and Gross Weight are basically the same. Depending on the jurisdiction, they are considered interchangeable.



Tractor Unladen Weight

Semi-Trailer Unladen Weight

Unladen Weight - The actual weight of the vehicle including the cab, body and all accessories with which the vehicle is equipped for normal use on the highway, excluding the weight of any load.

Appendix C – IRP Work Papers

1. **Comparison of Summary** – The auditor will enter distance from carrier’s monthly or quarterly summaries onto the Summary comparison sheet. The auditor should use the monthly sheet only if the company has combined two fleets into one summary or if the distance is recorded by individual units. Note: Remember that full fee unit distance is not included in IRP distance and distance stays with the fleet even if the unit is no longer part of the fleet for the audited registration year.
2. **Distance Test** – The auditor will select a sample of three months during the registration year. Compare reported distance with PC Miler software distance using any information available such as fuel stops, routes of travel, pickup/delivery points, and observations. If routing information is incomplete, use fuel receipts, observations, or BOLs to route the units.
3. The **error rate** is created from the Distance Test work papers, through the comparison of reported and audited distance. This error rate is applied to the summary distance numbers to calculate the total audited distance that flows to the Audited Distance Table. (Note: One-time errors should be handled on the Summary Comparison work paper.)
4. **Audited Distance Table** – The total audited distance in the work paper template will be on the Audited Distance Table. The Audited Distance Table worksheet is faxed or emailed to the support person at ITD for processing through the VISTA System.
5. The **average distance-per-unit** is automatically calculated on the Audited Distance Table. Any change in the average distance-per-unit needs to be checked to see if it results in a tier change for the Idaho fees. The number of units from the original application is used on the report page for this calculation. The fee invoice helps determine the number of units charged on supplement zero, which is for the original application. The rebill sheet is used for the change in Idaho fees resulting from a tier change.

Appendix D – Sales Tax Information

If you have purchased a motor vehicle with a gross vehicle weight of more than 26,000 pounds or a trailer for use in interstate commerce, a sales tax exemption is available if:

- The vehicle will be immediately registered under the International Registration Plan (IRP), and
- At least 10% of your total fleet distance is accrued outside of Idaho.

You must complete the second section of Form ST-104-MV and acknowledge that, if your fleet distance drops below the 10% out-of-state requirement in any subsequent year, the vehicle(s) will be subject to sales tax at that time. You are also liable for the tax if you do not continuously maintain your IRP registration.

The exemption applies only to purchases of trucks, buses and trailers, not their repair or maintenance. The sale of a “glider kit” is taxable.

Trailers are not eligible for IRP registration. However, they are eligible for the exemption if pulled by a qualifying power unit.

Appendix E – IRP Recordkeeping

The provisions of the IRP agreement require the registrant to preserve the records upon which the apportioned application is based for a period of three (3) years after the close of the registration year. Records include all summaries and source documents that support the distance entered on the IRP Distance Schedule B. Summaries show the total distance driven in each jurisdiction.

Individual Vehicle Distance Record (IVDR)

Trip records are summarized by jurisdiction at the end of each month or quarter. The information recorded on the Individual Vehicle Distance Record (IVDR) is obtained from various sources such as odometer and/or hub meter readings, state maps, standard distance guide, or a household goods distance guide. The method used must be accurate and consistent. The registrant must record all movement (interstate and intrastate) including loaded, empty, dead-head and/or bobtail distance. All distance generated by apportioned vehicles while operating on trip permits must also be recorded.

IVDRs must include the following information:

- A. Date of trip (starting and ending)
- B. Trip origin and destination
- C. Intermediate trip stops
- D. Routes of travel
- E. Beginning and ending odometer or hub meter readings
- F. Total trip distance
- G. Distance by jurisdiction
- H. Motor vehicle unit identification
- I. Vehicle fleet number
- J. Registrant's name
- K. Fuel purchased or drawn from bulk storage

Note: Not all information needs to be included on the same documents.

Distance Recordkeeping Tips

When listing delivery locations that are outside of a city, the carrier will use the name of the nearest city. Indicate road distance and direction from the city. For example, instead of Joe's Warehouse that is 10 road distance west of Boise, Idaho, list "Boise, Idaho plus 10 west."

Do not use intercity distance only; use actual distance traveled. If the trip starts from a business location on the west side of Boise and the driver travels into the middle of the city to pick up freight, these distances must be included. All distance, including non-revenue (deadhead) distance, must be documented. Using map or computer program distance only is not acceptable. Using map or computer distance software only is not acceptable. Map or computer distance is the shortest and most direct route between locations and may not necessarily reflect the actual distance driven.

IRP Registration Application

- A. Schedule A is the portion of the IRP application used for adding or deleting vehicles and for most changes that affect other jurisdictions.
- B. Schedule B is the portion of the IRP application used to report distance traveled in each jurisdiction and carrier information. Additional Schedule B's are required when jurisdictions are added, or new fleets are established.

Appendix F – Taxpayer Bill of Rights

General Information

See Publications 647 (Idaho Taxpayer Rights; https://tax.idaho.gov/pubs/EBR00647_05-02-2019.pdf) and 230 (Audits – Your Rights & Responsibilities; https://tax.idaho.gov/pubs/EBR00230_11-13-2018.pdf) for information regarding taxpayer rights.

Communication Procedures

The Idaho State Tax Commission has a responsibility to administer Idaho’s tax laws in a fair and equitable manner to benefit the citizens of Idaho. A taxpayer who is informed as to their obligations under the tax code is more likely to be voluntarily compliant; therefore, the Commission seeks to ensure that taxpayers are better informed of their rights regarding interactions with the Commission and its staff.

To ensure that taxpayers have the information needed to fully understand their rights, what to expect in an audit, and the appeal procedures, the following items should be included in designated taxpayer correspondence and related discussions should take place as detailed below.

Initial Letter -- Publication 647, *Idaho Taxpayer Rights*, will be included with the initial letter sent to the taxpayer along with Publication 230, *Audits – Your Rights & Responsibilities*, and the POA form if required.

If an initial conference is scheduled, a meeting is scheduled to drop off records, or a phone conversation is conducted with the taxpayer, the auditor will inquire as to whether the individual had a chance to review these publications. If the individual has read them, the auditor will ask if he/she has any questions. If the individual doesn’t have any questions, no further discussion is needed. If the individual has questions, the auditor will address the specific questions. If the individual didn’t receive it or didn’t read the publications, the auditor will identify the topics covered in the publications and ask if he/she would like them to explain it in further detail and proceed according to their request. The auditor should take a copy of both publications to any meeting with the taxpayer. This conversation should be documented in the CRM notes, interview notes, or cases notes attached in GenTax.

Billing Letter as first contact -- Publication 647, *Idaho Taxpayer Rights*, will be included with the billing letter sent to the taxpayer, along with a POA form if required. Unless the taxpayer calls, the auditor will not need to explain the publication.

If the taxpayer and auditor meet or have a phone conversation after the billing letter, use the same meeting/phone procedures identified for Initial Letter.

Notice of Deficiency Determination (NODD) as first contact -- Publication 647, *Idaho Taxpayer Rights*, will be included with the NODD. A second page of the NODD, *Your Rights to Appeal*, will replace Publication 210, *Your Rights as a Taxpayer*, with regard to explaining the specific appeal procedures. The POA form will also be included if required.

If the taxpayer and auditor meet or have a phone conversation after the NODD, use the same meeting/phone procedures identified for Initial Letter. This will include answering any questions regarding the appeal procedures.

Notice of Deficiency Determination sent after previous contact -- A second page of the NODD will replace Publication 210, *Your Rights to Appeal*, with regard to explaining the specific appeal procedures and is sent as part of the NODD (currently sent with automatically generated NODDs out of GenTax). Publication 647, *Idaho Taxpayer Rights*, will not be included with the NODD as it will have been sent previously. If the taxpayer and auditor meet or have a phone conversation for the first time after the NODD is sent, use the same meeting/phone procedures under Initial Letter. This will include answering any questions regarding the appeal procedures.

If a closing conference is held, the auditor should use his/her best judgment whether to review the taxpayer's rights as presented in Publications 647 and 230.

Taxpayer Rights discussion not required - You are not required to provide information regarding taxpayer rights in the following circumstances:

- Taxpayer dropping off records at TPS
- Initial Non-filer letter
- Correspondence other than initial contact letter, billing letter or NODD
- Phone calls unless we are speaking about potential taxes owed

If you have any questions regarding these or other procedures required by your manager, please contact your immediate supervisor for clarification.

Appendix G – Auditor Safety and Security

[Redacted pursuant to Idaho Code § 74-107(1)(b)]

Appendix H- Fuel Users Guide

An Educational Guide to Taxes and Refunds in the State of Idaho

This brochure is intended to help fuel users understand the fuels tax, sales tax, and refund laws that apply to them. The information is based on the tax laws and rules in effect on July 1, 2008.

FUELS TAX

Types of motor fuels

Gasoline includes ethanol-blended fuels and any mixture of fuels that can be used in a gasoline engine.

Aircraft engine fuel includes aviation gasoline and jet fuel.

Special fuels include dyed and undyed diesel, biodiesel, biodiesel blends (e.g. B1-99), and any other fuels that can be used in a diesel engine. Special fuels also include propane and natural gas.

How is fuels tax paid?

Licensed fuel distributors pay fuels tax to Idaho. The cost of the fuels tax is included in the price paid for delivered fuel or fuel purchased at the retail pump. There are three exceptions to this general rule:

- **Dyed Diesel** — Diesel that has been dyed red isn't subject to the Idaho fuels tax when purchased. It's unlawful to use dyed diesel in a motor vehicle on a highway (except as noted below). If dyed diesel is improperly used, it's subject to fuels tax.

Note: There are two types of dyed diesel, ultra-low sulfur (ULSD) and low sulfur (LSD). Both types may be used in unregistered equipment, stationary engines, combines, tractors, etc. The Internal Revenue Service allows both types of low sulfur dyed diesel to be used in vehicles operated exclusively by state or local government. If you have questions about the use of dyed diesel, contact the Idaho State Tax Commission.

- **Gaseous Fuels** — Propane and natural gas are subject to fuels tax only when placed into the supply tank of a licensed motor vehicle. The customer pays the fuels tax on gaseous fuels at the time of purchase, unless the vehicle displays a current gaseous fuels decal.

- Fuel from an Indian-owned Retail Outlet — Motor fuels purchased from an Indian-owned retail outlet may not include the Idaho motor fuels tax and may not qualify as Idaho tax-paid purchases. An Indian-owned outlet is located within the boundaries of a federally recognized Indian reservation and owned and operated by one of the following:
 - The Coeur d’ Alene, Kootenai, Nez Perce, Shoshone/Bannock, or Shoshone/Paiute tribe.
 - An enterprise owned by one of the tribes listed above.
 - An enrolled member of one of the listed tribes on whose reservation the retail outlet is located.

Visit the Tax Commission Web site for the tax-paid status of fuel purchased at a specific Indian-owned retail outlet (click on “Motor Fuels” and scroll down to “Fuel Consumers”), or contact us.

What qualifies for a fuels tax refund?

If you paid Idaho fuels tax on fuel that was used in any of the following nontaxable ways, you can apply for a refund:

gasoline

The gasoline tax is refundable if you bought at least 50 gallons of gasoline in a calendar year, and it was used in:

- Stationary engines
- Unregistered off-road equipment (snowmobiles and motorcycles don’t qualify)
- Motor vehicle auxiliary engines (power take-off equipment doesn’t qualify)
- Most motor vehicles that aren’t registered (motor vehicles required to be registered don’t qualify)
- Commercial motor boats (personal pleasure boats don’t qualify)

special fuels

The special fuels tax is refundable for any use other than to propel or operate a motor vehicle on a public road, or idle a motor vehicle for more than 15 minutes. Special fuels are nontaxable if used in:

- Stationary engines
- Unregistered off-road equipment
- Refrigeration units
- Motor vehicles to operate power take-off equipment or auxiliary engines
- Motor vehicles owned and operated or leased and operated by the state of Idaho, or its political subdivisions or the federal government
- Motor vehicles operated on roads that aren’t open to the public
- Heating devices (home furnaces, space heaters, etc.)

Aircraft engine fuel

If you bought gasoline or undyed diesel with the 25-cent fuels tax included and used the fuel in an aircraft, you can apply for a refund of the difference between the gasoline or diesel fuels

tax rate and the aircraft engine fuels tax rates (6 cents for jet fuel and 7 cents for aviation gasoline as of July 1, 2008).

How do I apply for a fuels tax refund?

You can file a Form 75 to claim a refund of Idaho fuels tax if:

- You paid Idaho fuels tax when you bought the fuel, and
- You used the fuel for a nontaxable purpose.

Your refund claim must cover a period of at least one month, but no more than 12 months.

You must file a worksheet with your Form 75 in the circumstances described below:

- If you use Idaho tax-paid fuel from a bulk-storage tank in Idaho for a nontaxable purpose, use a Form 75-BST worksheet to compute Idaho tax-paid and nontaxable gallons for the fuel you:
 - Withdraw from a bulk storage tank
 - Buy from a retail station, cardlock, or bulk plantYou don't need to use the worksheet if you only use Idaho tax-paid fuel purchased at retail locations (from a retail station, cardlock, and/or bulk plant) for a nontaxable purpose.
- If your vehicles are driven only in Idaho, use a Form 75-IMV worksheet to calculate your Idaho nontaxable gallons if:
 - The motor vehicle had nontaxable miles (special fuels only), or
 - Fuel from the motor vehicle's supply tank was used to operate the vehicle's power take-off equipment (special fuels only) and/or auxiliary engine (special fuels and gasoline)
- If you have an International Fuels Tax Agreement (IFTA) license, use a Form 75-IC worksheet to calculate Idaho nontaxable gallons if you use fuel from the motor vehicle's supply tank to operate the vehicle's:
 - Power take-off equipment (special fuels only), and/or
 - Auxiliary engine (special fuels and gasoline)

For more information on refunds for IFTA licensees, visit our Web site, or contact the Tax Commission to get a copy of the IFTA handbook.

What records do I need to keep?

You must keep records that support your fuels tax refund claim. These records include all motor fuels receipts showing the total gallons of tax-paid fuel purchased and withdrawal records that show the number of gallons of fuel withdrawn from a bulk storage tank, the equipment the fuel is put into, and whether the fuel use is taxable or nontaxable.

How long do I have to keep these records?

You must keep the refund records for three years from the Form 75 due date (April 15 following the close of the calendar year) or the date you file an amended claim.

SALES/USE TAX

Purchases of gasoline, aircraft engine fuel, and special fuels subject to Idaho fuels tax are exempt from Idaho sales tax. If fuel (such as dyed diesel) is sold *without* the fuels tax, the sale is subject to sales tax unless the purchase qualifies for an exemption under the Idaho Sales Tax Act.

If you receive a refund of the motor fuels tax on gasoline and special fuels, the fuel purchase is subject to Idaho use tax unless the use qualifies for an exemption under the Idaho Sales Tax Act. Typically, the sales tax exemptions for fuels also apply when the fuel purchase is subject to use tax.

Use tax is a tax on the use or storage of goods (including fuels) in Idaho. If you didn't pay sales tax when you bought these goods, you may owe use tax, unless an exemption applies. The use tax rate is the same as the sales tax rate.

When are my fuel purchases subject to use tax?

Some of the common fuel uses subject to use tax include:

- Fuel used in unregistered equipment for construction, landscaping, well-drilling, and golf courses
- Power take-off fuel refunds
- Refrigeration unit (reefer) fuel refunds
- Refund of tax on diesel fuel used in registered vehicles off-road, except logging trucks
- Fuel used in commercial motor boats

Use tax is due on the total purchase price of the fuel minus the federal and Idaho fuels tax. You can subtract the federal tax only if you're eligible to receive a refund of the federal tax. If you owe use tax, you must report it on a Form 75, your Idaho income tax return, or your Idaho sales/use tax return.

When are my fuel purchases exempt from sales tax?

The following sales tax exemptions most commonly apply to fuel users:

logging

- Fuel used in unregistered equipment while performing exempt logging activities
- Fuel used off-highway in a registered logging truck (undyed diesel only)

farming

- Fuel used in unregistered equipment while performing exempt farming activities (fuel used in a vehicle required to be registered doesn't qualify for this exemption, even when the vehicle is used off-road)

manufacturing

- Fuel used in tax-exempt equipment
- Fuel used in the production process

heating and cooking

- Fuel used to heat a home, building, or recreational vehicle
- Fuel used for cooking

propane

- Purchased in quantities of 15 gallons or less

How do I document transactions that are exempt from sales tax?

You must fill out form ST-101, Sales Tax Resale or Exemption Certificate, and provide it to your fuel supplier.

A form ST-101 isn't required for heating fuel deliveries or for purchases of propane in quantities of 15 gallons or less. You must document the use of heating fuel on the sales invoice or receipt.

If you're not sure whether your fuel use qualifies for a sales/use tax exemption, contact the Tax Commission.

Appendix I – Audit Work Paper

[Redacted pursuant to Idaho Code § 74-107(15)]

Appendix J – Audit Work Paper Stages

[Redacted pursuant to Idaho Code § 74-107(15)]

Appendix K – Audit Work Paper Source

[Redacted pursuant to Idaho Code § 74-107(15)]

Appendix L – Time Reporting in GenTax

[Redacted pursuant to Idaho Code § 74-107(15)]

Appendix M – GenTax Work Items

[Redacted pursuant to Idaho Code § 74-107(15)]

Appendix N – IRP Records Review

Introduction

Purpose and Scope

Since many jurisdictions had an issue with meeting the International Registration Plan (IRP) audit requirements as per Section 1025(a) of the plan, a Records Review Program has been added in an attempt to help jurisdictions meet the requirements. The time required for conducting and completing a records review should be considerably less than an audit, and it is expected to increase registrant compliance with the Plan.

The Ballot 2011.371, which was approved with an effective date of July 1, 2013, states that three records reviews may substitute one audit up to a maximum of 25% of the total audits required.

It is not the intent of this document to limit or impose jurisdictional records review procedures, but to serve basically as a guide for preparing such a program. This document serves as a complete guide for planning, coordinating, conducting, and documenting a records review. These procedures will help enhance consistency and quality of records review amongst the jurisdictions.

Limits of a Records Review

A records review is not an audit; however, when done properly, it should encourage registrant compliance. Also, a records review should not be converted into an audit merely because a registrant's records are non-compliant.

Section 701 of the Audit Procedures Manual (APM), effective July 1, 2013, states that a records review will focus on the compliance and internal controls of the distance accounting system. The review may be for less than a full reporting period and may also be done before the first renewal.

The registrant will receive a report outlining any record keeping deficiencies and there will not be any fee adjustments.

Requirements

APM Section 702 states that:

- A. A Member Jurisdiction electing to institute a Records Review Program that qualifies towards the annual audit requirement must establish procedures and guidelines similar to those for audits. The records review procedures must:
 - a. comply with requirements in Article 2, General Auditing Standards, and Article 3, Auditor Qualifications and Responsibilities, of the APM;
 - b. document the distance accounting system used by the registrant, the items included in the source documents, and the sources used by the registrant to determine sources;
 - c. assess and document internal controls;
 - d. determine and document the adequacy of records and identify specific deficiencies;
 - e. result in a written report to the registrant citing any specific deficiencies in the record keeping system;
 - f. record all contacts with the registrant; and,
 - g. retain the completed records reviews according to the prevailing IRP audit records retention requirements.
- B. It is strongly recommended the base jurisdiction conduct a follow-up contact with the registrant if non-compliance issues are noted.

Records Review Procedures

Pre-Review Procedures

The purpose of the pre-review is to familiarize the auditor with the registrant's business and reported information.

The current or latest IRP application should be reviewed in order to determine the number of fleets, the actual and estimated distance reported by jurisdictions, and the registration year. Preparing a summary of reported vehicles would be beneficial for the review process. The summary can include information such as the fleet number, Vehicle Identification Number, plates, make, year, weights, axles and any other relevant information available.

When performing a records review on a registrant with actual distance and if the IFTA reported information is shared between departments, an analysis of the distance should be done. It is important to understand that distance reconciliation is not always possible due to program discrepancies.

All correspondence, information and analysis need to be documented in the review file.

Registrant Contact

It is suggested that the registrant be contacted via telephone 30 days in advance if this is a regular records review in order to schedule the records review. It is also suggested to follow up on the telephone call by sending the registrant an initial *Records Review Notification Letter* and the *List of Records Required for Records Review*. The review period will typically be for the most recent quarter or as designated by the base jurisdiction. Document the preliminary telephone call and the initial *Records Review Notification Letter* (if prepared) in a correspondence log.

If this is a post-audit records review deemed necessary due to a weak distance accounting system, contact the registrant by telephone one week prior to the scheduled date of the records review with a reminder to send the records to your office for the specified time period. This may be followed up with a Records Review Notification Letter stating the review period time frame.

An interview with the registrant shall take place in order to gain a further understanding of their distance accounting system if needed. A determination will be made whether or not their records are in order and legible; cover the requested period for review; contain all the appropriate items required by IRP; include adequate summaries (monthly, quarterly, annual); and reconcile source documents and summaries without excessive discrepancies or gaps. Documentation of the interview will be indicated on the correspondence log as well.

Any email or faxed correspondence will also need to be notated.

Review Procedures

- I. Document the distance accounting system used by the registrant, the items included in the source documents, and the sources used by the registrant to determine distances
 - A. Describe the distance record-keeping system and the flow of information from source documents to summaries to the IRP renewal forms
 - B. List the source documents used to record the distance information and the elements that are recorded on these source documents
 - C. Identify the source used to calculate distance (i.e. odometer readings, maps, computer software, Global Positioning System, etc.)

- II. Assess and document internal controls
 - A. Verify that the distance information flows correctly from the summaries to the IRP renewal
 - B. Verify that the distance information on the source documents flows correctly to the summaries
 - C. Scan through the source documents to make sure the information is reasonable (for example, if there is a IA destination, make sure there are IA miles listed)
 - D. Verify that the odometer readings flow correctly between the source documents, and that the sum of distance per jurisdiction equals the total distance between the beginning & ending odometer readings (if applicable)
 - E. Determine if the source documents contain the IRP required elements

- III. Determine and document the adequacy of records and identify specific deficiencies
 - A. State whether the distance source documents were sufficient and appropriate to comply with IRP record-keeping requirements
 - B. State whether the internal controls were sufficient for reporting the correct distance for IRP
 - C. List any deficiencies in the distance source documents and/or weaknesses in the internal controls

Report Preparation

The content of the registrant's report can include the following information which is a summary of the work performed.

- **Pre-Records Review Contact**
 - Date of Initial Records Review Letter
 - Date of Pre-Records Review call (or attempts)
 - Description of registrant's business and cargo transported
 - Brief description of jurisdictions traveled (i.e. several states or specific region of country)
 - Prior records review or audits
 - Objective and scope

- **Internal Controls**
 - Source documents received
 - Responsible parties for the records, distance accounting system and reporting
 - Description of distance accounting system
 - Irregularities in the source documents, unit(s) or business operations
 - Application of 'Internal Controls' criteria to the source documents
- **Records Review Process**
 - List sample unit(s) and time period. Explain reasoning for selected units or expanded time period (if applicable)
 - List processes used to evaluate the accuracy and effectiveness of the registrant's distance accounting system:
 - Evaluate the appropriateness of information recorded in source documents
 - Determine the extent of discrepancies and errors discovered in the trip sheet analysis
 - Determine the effectiveness of internal controls and distance accounting system
- **Records Review Findings**
 - Results of processes detailed in 'Records Review Process'
 - Conclusions drawn from Records Review process results
 - Conclusions drawn from 'Internal Controls' criteria
 - Results of Records Review (i.e. Compliant or Non-Compliant)
- **Exit Conference**
 - Name of person exit conference held with and date (or attempts)
 - List of auditor recommendations

INITIAL RECORDS REVIEW CONFERENCE

Initial Records Review Letter Date: _____ Date Records Due: _____ Records Received: _____ Date of Preliminary Phone Call: _____
Has the registrant been previously audited? <input type="checkbox"/> YES <input type="checkbox"/> NO Registration Year: _____ Audit Results: _____
<ul style="list-style-type: none">• Preliminary phone call to registrant to address any concerns regarding the records• Type of business and cargo transported• Brief description of jurisdictions traveled• Make note of any prior records checks or audits conducted on the account• Objective and scope

INTERNAL CONTROLS Initial: _____ Date: _____

<ul style="list-style-type: none"><input type="checkbox"/> Inspect source documents for appropriateness of recorded information:<ul style="list-style-type: none">• Dates• Beginning and Ending Odometer Readings (at jurisdictional lines), <i>Global Positioning Systems may use meter readings</i>• Origins, intermediate stops, load pick-up locations, load drop-off locations, destinations• Routes of travel (major highways used)• Distance traveled by jurisdiction (state or province)• Total distance traveled per source document• Power unit number<input type="checkbox"/> Interview registrant to gain an understanding of their distance accounting system<input type="checkbox"/> High Controls<ul style="list-style-type: none">• Records in order and legible• Records cover requested period for review• Records contain all appropriate items required by the IRP• Records include adequate summaries (monthly, quarterly, annual)• Source documents and summaries reconcile<input type="checkbox"/> Low Controls<ul style="list-style-type: none">• Records out of order and/or illegible• Records do not cover requested period of review with no explanation• Source documents do not contain appropriate information required by the IRP• Material differences between source documents and summaries• Excessive discrepancies or gaps found in source documents• Summary not included: <input type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly

Sample size based on 'INTERNAL CONTROLS' criteria

Fleet size: _____

Sample size: _____

RECORDS REVIEW WORKBOOK

WP Ref:

Initial:

Date:

- Download 'Audit Worksheet' from registrant TxIRP audit page 'Actions' Menu
- Rename with IRP account number, registrant name and audit registration year and save into appropriate folder

SUMMARY ANALYSIS

- Test the accuracy of the registrant's recaps/schedules
- Enter the registrant quarterly or monthly summary jurisdictional distance totals into either the 'Monthly-Qtrly Recap' or the 'By Unit Monthly-Qtrly Recap' tabs in the TxIRP Audit Worksheet (IRP-ATM Section VI.D.6)

TRIP SHEET ANALYSIS

WP Ref:

Initial:

Date:

- Select the sample period based on Internal Controls criteria
 - JUL AUG SEP
 - OCT NOV DEC
 - JAN FEB MAR
 - APR MAY JUN

'The auditor considers the effectiveness of systems of internal control, the number and size of items to be tested, and the probabilities that groups of items, numbers of vehicles, total distance, or distance allocations will be misstated by a significant amount' (IRP-ATM VI.C)

- Mark drop-down boxes and populate sample unit numbers in the Select Units Tab then click Submit. This filters the Trip Sheet Analysis Tab
- Auditor will populate Trip Sheet Analysis Tab with odometer readings and jurisdictional totals from source documents for the selected units to detect and evaluate the extent of discrepancies and errors in the trip sheets
- Enter the registrant (quarterly or monthly summary) jurisdictional distance totals into the corresponding cells on the row labeled Quarterly Summary

Auditor judgment is required in determining the nature of the errors (IRP-APM 703b).

Additional information on evaluating sample results and projecting errors can be found in the Audit Training Manual Sections VI.D.7 & 8.

**CONFIRMATION OF IRP RECORDS REVIEW INSPECTION
RECORDS REVIEW**

**JOHN DOE
TOWING IRP
FILE#: 00000**

FLEET # 1

AUDIT YEAR(s) 2011

TYPE OF OPERATION: OTHER TYPE OF ACTIVITY: TOWING

REGISTRANT'S ADDRESS: 12345 N MAIN ST. CITY, JURISDICTION ZIP

CONTACT PERSON: JOHN DOE **PHONE:** **CELL:**

FIRST OPERATED DATE: 11/01/2010 **SOURCE DATA:** 11/01/2010 THRU 12/31/2010

LOCATION OF RECORDS REVIEW: CITY

THE REGISTRANT WAS MAILED A RECORDS REVIEW NOTIFICATION LETTER ALONG WITH AN INFORMATIONAL PACKET OF MATERIAL REQUIRED FOR THE REVIEW.

PRE-REVIEW CONFERENCE:

No prior audit has been conducted. The auditor contacted carrier 1/25/11 and reviewed documentation required for record inspection (11/01/10-12/31/10). In agreement with the carrier the review was scheduled for their office 2/10/11. Another review letter was mailed listing the date and time of the review and the required mileage period. The opening conference was conducted 2/10/11, which included a discussion of carrier's operations, internal controls and accounting system.

CARRIER OPERATIONS

This is a towing company hauling disabled vehicles mostly local with occasional trips to neighboring jurisdictions.

MILEAGE DOCUMENT(s) MAINTAINED AND PRESENTED:

<input type="checkbox"/> IVDR	<input type="checkbox"/> RENTAL CONTRRACTS	<input type="checkbox"/> MONTHLY SUMMARIES
<input type="checkbox"/> LOGS	<input type="checkbox"/> BILLS	<input type="checkbox"/> QUARTERLY SUMMARIES
<input type="checkbox"/> PAY RECORDS	<input type="checkbox"/> TRIP REPORTS	<input type="checkbox"/> ANNUAL SUMMARIES
<input type="checkbox"/> PROGRAM	<input type="checkbox"/> CHARTER	<input type="checkbox"/> IFTA

CONDITION: Summaries forms given to carrier.

ITEMS INCLUDED IN SOURCE DOCUMENT (s):

<input type="checkbox"/> DATE TRIP	<input type="checkbox"/> OD READINGS	<input type="checkbox"/> MILES TOTAL
<input type="checkbox"/> OD TRIP	<input type="checkbox"/> OD JURISDICTION	<input type="checkbox"/> UNIT
<input type="checkbox"/> ROUTES	<input type="checkbox"/> MILEAGE FOR JUR	<input type="checkbox"/> DRIVER NAME
<input type="checkbox"/> OTHER		

SOURCE (s) USED BY CARRIER TO DETERMINE MILES:

<input type="checkbox"/> OD	<input type="checkbox"/> PROGRAM MILEAGE	<input type="checkbox"/> OTHER
<input type="checkbox"/> MAP	<input type="checkbox"/> ESTIMATE	

UNITS AND PERIODS TESTED:

No testing was required for this records review.

EVALUATION OF INTERNAL CONTROLS (STRENGTHS and WEAKNESSES):

Each truck has a trip report for each month. The trip reports record the origin and destination and miles by state for all out of state trips. Weekly OD readings are recorded. Each vehicle has a GPS system in the vehicle. The GPS system records total daily miles and a monthly summaries is generated. The out of state miles are not recorded on the GPS mileage printouts.

REVIEW FINDINGS:

A records inspection was conducted on carrier's mileage records. Auditor requested that monthly, quarterly and annual summaries be constructed for all future audits. Records as presented were in compliance. Proper mileage accounting was explained to carrier in detail. The 2011 IRP application is an estimated app and is accepted as filed.

EXIT CONFERENCE:

The auditor advised Mr. Doe that he must include origin/destination (city to city), routes traveled and OD readings on IVDR'S. Monthly/quarterly/annual summaries should be maintained (forms were given to carrier).

REGISTRANT COMMENT:

CARRIER AGREES WITH REVIEW FINDINGS

THIS HEREBY AFFIRMS THAT THE AUDITOR NAMED BELOW CONDUCTED A RECORDS REVIEW OF THE RECORDS PERTAINING TO THE ABOVE CAPTIONED FILE (S).

FURTHERMORE, THAT THE REGISTRANT OR THEIR APPOINTED REPRESENTATIVE HAS BEEN ADVISED THAT THIS REPORT SHALL BE SUBJECT TO REVIEW BY THE DEPARTMENT OF THE STATE AND MEMBER I.R.P. JURISDICTIONS.

REVIEWER **2/16/2016**

AUDITOR NAME **2/10/2016**

REVIEWED BY **DATE**

AUDTIOR **DATE**

Appendix O – Penalties and Interest

General Information

Assessing penalty on an audit is one aspect of the audit process that can directly affect the interaction with the taxpayer. As such, it must be handled with due care and be documented carefully. Although there are several types of penalties, it is not uncommon to decide that none are applicable. Therefore, where appropriate and warranted, applying a penalty should be considered. However, assessing interest on any deficiency is required by Idaho Code and cannot be waived.

Penalties

The following penalties are provided for in Idaho Code:

- A. A 5% negligence penalty
 1. See Idaho Sales Tax Administrative Rule 123.
 2. It is important to note that the penalty is for negligence and should be imposed only if negligence is demonstrated. A negligence penalty can be applied for several reasons, including:
 - Failure to keep proper records.
 - Failure to respond to requests for information.
 - Careless disregard of tax obligations.
- B. A 25% non-filer penalty may be imposed per Code Section 63-3046(c).
- C. A 10% penalty for substantial underpayment is provided by law, but is used only rarely. Auditors who feel that this penalty may apply should first discuss it with their supervisor.
- D. A 50% fraud penalty is provided for under Idaho Code Section 63-3046(b). This penalty must be discussed with and approved by your supervisor prior to application.

Assessing a penalty on any audit liability must be considered carefully. There is no automatic assessment of any penalty.

The rationale for assessing penalty must be discussed in the audit report so that the taxpayer is aware of the reasons it was assessed. This can either be done within the narrative of the corresponding area of negligence, or in a separate “Penalty and Interest” section of the audit report.

Interest

Per Idaho Code Section 63-3045, the Commission uses simple interest rather than compound interest and is required to be assessed. Interest is covered in Idaho Sales Tax Administrative Rule 122 and must be used in all audits.

Interest applies to all deficiencies or refunds.

Interest applies only to tax (not penalty), and is computed at a simple interest rate.

According to Idaho Code Section 63-3045, effective January 1, 1994, (Taxpayers Bill of Rights - SB 1123), by November 1 of each year, the Commission shall fix the rate of interest due for the succeeding calendar year, or portion thereof, upon any deficiency, or payable upon an overpayment or refund. The rate of interest, rounded to the nearest whole number, shall be two percent (2%) plus the rate determined under Section 1274(d), Internal Revenue Code, by the Secretary of the Treasury of the United States as the mid-term federal rate as it applies on October 15 of that year.