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# Minnesota's International Fuel Tax Agreement Procedures Manual

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## **Minnesota Department of Public Safety**

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## Introduction

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This guideline will provide general information regarding the International Fuel Tax Agreement (IFTA) program and explain the responsibilities as a licensee of IFTA.

IFTA is a base state fuel tax program. The program enables participating jurisdictions to provide mutual assistance in the administration and collection of fuel use taxes.

This program is based on the same principle as the International Registration Plan. Minnesota will issue fuel credentials allowing travel in all the IFTA member jurisdictions.

A carrier based in Minnesota operating a qualified motor vehicle in two or more member jurisdictions is required to obtain an IFTA license or obtain a temporary fuel trip permit in each jurisdiction of travel.

## Definition of program

The program includes:

- Single fuel tax license authorizing travel in all member jurisdictions.
- One fuel tax report each quarter detailing operation in all the member jurisdictions.
- Crediting the fuel tax overpayment for one jurisdiction against the tax liability for another jurisdiction, reducing or eliminating cash payments.
- Remitting one check or receiving one refund from the base state.
- Audits conducted by the base jurisdiction.
- Fuel bonds no longer required by the member jurisdictions. However, a bond may be required by the base jurisdiction for carriers who have failed to file returns or when an audit indicates problems severe enough to require a bond to protect the interest of the member jurisdictions.

## Base jurisdiction

Minnesota is the base jurisdiction for IFTA licensing and reporting if:

- Qualified motor vehicles display Minnesota license plates.
- Operational records of the qualified vehicles are maintained or can be made available at the Minnesota business address.
- Qualified vehicles accrue distance in Minnesota.

If a carrier has several fleets registered in multiple jurisdictions, the effected jurisdictions may allow a carrier to choose a base jurisdiction and file a consolidated fuel return for the multiple fleets.

## Qualified vehicles

A qualified motor vehicle means a motor vehicle used, designed or maintained for the transportation of persons or property. The following vehicles are required to display fuel credentials and report fuel use under the IFTA program, if operating a qualified motor vehicle in two or more member jurisdictions:

- Power unit having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms
- Power unit having three or more axles, regardless of weight
- Power unit used in combination when the weight of such combination exceeds 26,000 pounds or 11,797 kilograms gross vehicle weight or registered gross vehicle weight

NOTE: Recreational vehicles are exempt from IFTA fuel tax licensing and reporting.

## Application and licensing

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### IFTA license application procedures

Minnesota and member jurisdictions require the display of a fuel license and decals. The fuel license and decals qualify a vehicle to operate in all member jurisdictions without further licensing or identification requirements regarding to motor fuel use taxes. The IFTA license application is available on e-Services for Business, from the DVS IRP/IFTA office or from one of the other eleven deputy registrar offices (See Appendix A).

The IFTA account identification is the licensee's nine-digit Federal Employee Identification Number (FEIN) issued by the Internal Revenue Service.

Applications for new IFTA licenses are processed exclusively at the DVS central office in St. Paul and must be submitted online through e-Services for Business. However, all deputy registrar offices can process IFTA license renewals and issue decals.

### Online IFTA services

Secure online services are available to IFTA licensees 24/7. To begin taking advantage of these services, complete an access application at [https://onlineservices.dps.mn.gov/EServices/Business/\\_/](https://onlineservices.dps.mn.gov/EServices/Business/_/).

IFTA online services available:

- Renew IFTA fleet.
- Print IFTA license and decals.
- Order additional decals.
- Obtain and print temporary decal permits.
- Change account address information.
- File and pay IFTA quarterly returns.
- Request refunds, when applicable.

### Display of license and decals

Upon receipt of the completed application and payment of the required fees, an IFTA license with decals will be issued. Two decals are required for each qualified vehicle. The decals must be placed on the exterior portion of both sides of the cab. In the case of transporters, manufacturers, dealers or drive away operations, the decals do not need to be permanently affixed but may be temporarily displayed in a visible manner on both sides of the cab.

Decals are not transferrable between vehicles. Annual Minnesota fees:

- License: \$28
- Filing: \$12 (additional \$1 if processed at a deputy registrar)
- Decals: \$2.50 (per vehicle)

The IFTA license and decals are valid for the current calendar year. There are no provisions for refunds or exchanging of unused decals or an unused license.

A legible photocopy or electronic image of the IFTA license must be carried in the cab of each qualified vehicle in the fleet. During a roadside stop, credentials may be shown as a paper copy or an electronic image on a computer, tablet or smartphone. It is recommended that all electronic images are maintained as a PDF or other downloadable file format. The original license should be kept with the business records as a master copy, used for adding vehicles or replacing lost copies.

Qualified vehicles operated by more than one IFTA licensee during the year may display IFTA decals for each active licensee concurrently.

Failure to display the IFTA decals and to have a copy of the IFTA license in possession may subject the vehicle operator to the purchase of a fuel trip permit, a citation and fines, or both. Improper use of the license or decals may be cause for revocation.

IFTA credentials will not be issued if the licensee was previously licensed in another IFTA jurisdiction and the license is under suspension or revocation, or if the application contains any misrepresentation, misstatement or omission of application information. IFTA credentials will be denied if the licensee owes IRP registration taxes or has a prior registration or fuel tax delinquency in Minnesota.

## Annual renewal procedures

Each October, DVS will issue a renewal notice for the IFTA license to each licensee. IFTA license and decals are valid for the calendar year Jan. 1 through Dec. 31. Licensees renewing credentials may operate with the IFTA decals and license beginning Nov. 1 of the year prior to the effective date shown on the license and decals. IFTA license renewals must be filed and paid before Dec. 31 for the next calendar year.

Renewal of an IFTA license will be denied if the carrier meets any of the following criteria:

- Failed to file any quarterly tax returns.
- Delinquent in any fuel or registration tax payments.
- No travel in two or more member jurisdictions for three consecutive quarters.
- IFTA license is in a revoked, suspended or cancelled status.

Licensees who have not renewed by Feb. 1 will receive a notice to renew. If they still have not renewed within 30 days, the account will be suspended. If they fail to renew within another 30 days, the account will be revoked. Licensees must complete their IFTA renewal before they can renew their IRP registrations.

## Grace period for display of license and decal

Licensees that have renewed their IFTA license and decals have a two-month grace period (January and February) to display the renewed IFTA license and decals. To operate in IFTA jurisdictions during this grace period, licensee must display either a valid current or prior year IFTA license or decals from the jurisdiction in which they were operating or a valid single-trip permit from the IFTA jurisdiction in which they are operating.

## Temporary decal permit

A temporary decal permit is available to a licensee in good standing, allowing time to affix the permanent decals. The permit must be carried in the vehicle along with the IFTA license. The temporary decal permit is:

- Valid for 30 days
- Valid for all member jurisdictions
- Vehicle specific
- Available for no fee



## Reporting requirements

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### Fuel tax quarterly return

All licensees are required to file an IFTA quarterly fuel tax return with payment of fuel taxes. The quarterly tax return indicates the tax or refund due for each member jurisdiction.

All licensees must use the department provided quarterly fuel tax return form or file electronically. The office will not accept modified versions of the department form. Included in the IFTA quarterly tax return is the following information:

- Total distance traveled by the licensee's qualified motor vehicles in all jurisdictions — IFTA and non-IFTA — distance including trip permit and toll distance.
- Total gallons of fuel consumed by the qualified motor vehicles for all jurisdictions, including IFTA and non-IFTA fuel.
- Total distance and taxable distance traveled in each member jurisdiction.
- Taxable gallons consumed in each member jurisdiction.
- Gallons of fuel purchased in each member jurisdiction.

The DVS IFTA office makes quarterly fuel tax filing returns available to licensees at all times. Fuel tax rates vary by jurisdiction and may also differ based on the type of fuel used, with a separate return required for each fuel type. Returns can be filed electronically through your e-Services for Business online portal, or you may download a printable standardized form at [drive.mn.gov](https://drive.mn.gov), search "IFTA forms."

Filing is required even if no distance was traveled or no taxable fuel was used during the reporting period.

### Filing report procedure for Canadian jurisdictional travel

Minnesota IFTA licensees are required to report based on United States measurements. Conversion rates are:

1 liter	=	0.2642 gallons
1 gallon	=	3.785 liters
1 mile	=	1.6093 kilometers
1 kilometer	=	0.62137 miles

When completing the tax return, it is not necessary to compute the currency exchange rate. The currency exchange rate has been computed and applied in the tax per gallon rate (column 2 on the quarterly report). The currency exchange rate is determined by the U.S./Canadian rate at noon EST on the third Monday of the month prior to the reporting quarter.

# Minnesota bulk storage fuel tax reporting

In Minnesota, state fuel tax is paid to the distributor upon delivery of the fuel to the bulk storage tank.

Fuel disbursed from a Minnesota bulk storage tank to an IFTA licensed vehicle is considered a Minnesota tax paid gallon. Actual fuel consumed by the vehicle is required for an accurate mpg factor. To ensure accurate fuel reporting, include bulk withdrawal gallons in “Total Fuel Consumed”, and include the withdrawal gallons as “Tax Paid Gallons”. Report the amount of fuel disbursed from the bulk storage tank to an IFTA licensed vehicle, rather than the amount of fuel delivered to the bulk tank.

## Due dates for timely filing

The fuel tax return and full payment of taxes are due the last day of the month following the end of the quarter. IFTA returns can be filed starting the first day of the month that they are due. The IFTA returns are to be filed on a calendar quarterly basis as follows:

Quarter	Reporting Period	Due Date
1	Jan. 1 through March 31	April 30
2	April 1 through June 30	July 31
3	July 1 through Sept. 30	Oct. 31
4	Oct. 1 through Dec. 31	Jan. 31

If the last day of the month falls on a Saturday, Sunday or legal holiday, the next business day shall be considered the timely filing date.

## Mailed returns

The envelope containing the return must be properly addressed to the DVS IFTA office. Returns will be considered filed and received on the date shown by the U.S. Postal Service, Canadian Postal Service or delivery service cancellation mark stamped on the envelope containing the return. A metered post mark is not acceptable in determining the filing date of a fuel tax return. A return mailed on the report deadline day may not be postmarked that day, especially if mailed late in the day or if not validated by the local post office.

## Delivered returns

If a return is hand delivered to the DVS IRP/IFTA office or a deputy registrar’s office, it will be considered filed and received on the date of delivery to the office.

## Refund or credit carryover

If the net result of a return is a tax credit, the licensee has the option of a refund or credit by indicating choice. Failure to indicate refund or credit will result in a credit to the account. Credits when not refunded shall be carried over to offset liabilities of the licensee in future tax reporting periods until the credit is fully offset or eight calendar quarters have passed from the end of the calendar quarter in which the credit accrued.

A refund will be denied if a prior quarterly return is missing or if a licensee is delinquent in paying either fuel use taxes or IRP registration taxes.

## Late filing penalties and interest

There are costly penalties for filing a late return, underpayment of taxes due, or failure to file a quarterly return, including:

- Penalties of \$50 or 10 percent of the net tax liability, whichever is greater.
- Interest on all delinquent taxes due to each jurisdiction. Annual interest rate is set two percentage points above the rate established under the Internal Revenue Code. Interest is calculated from the date tax was due for each month, or fraction thereof, until paid.

If determined in the appeal process that there was reasonable cause for the late filing, the penalty assessment may be waived.

The only situation that interest may be waived is if the carrier can demonstrate a return was filed late because of misinformation given to the carrier by the base jurisdiction. To waive interest for another jurisdiction requires written approval from the other jurisdiction.

If a licensee fails to file a required tax return, a written notice will be issued based on the licensee's selected notification preference, instructing them to submit the return.

## Amended return penalty interest assessment

An amended return which results in a tax liability is considered an underpayment of taxes; therefore, a penalty and interest assessment is required for each jurisdiction on the tax underpayment.

## Exemptions

Under certain circumstances carriers may be exempt from obtaining an IFTA license and having to file fuel returns under the IFTA program. Carriers who qualify for any of the following exemptions must notify the DVS IRP/IFTA office by submitting the appropriate transaction through e-Services for Business or by completing an IFTA Application, available at [drive.mn.gov](https://drive.mn.gov), search “IFTA forms.”. The applicable exemption must be clearly indicated in the submission. Examples of qualified exemptions include:

- Company does IFTA licensing in another IFTA jurisdiction. Inform DVS IRP/IFTA office of the IFTA jurisdiction and FEIN number.
- Carrier leased to an IFTA out-of-state based carrier who is reporting the fuel tax. Inform DVS IRP/IFTA office of the company name, address, IFTA jurisdiction and FEIN number.
- Carrier leased to a Minnesota carrier who is reporting fuel tax. Inform DVS IRP/IFTA office of the company name, address, and Minnesota IRP and IFTA account numbers.
- Operating two axle vehicles with a gross or registered weight of 26,000 pounds and under.
- Purchase of temporary fuel trip permits in each jurisdiction of travel.

## Oregon

Oregon does not collect a state fuel tax on IFTA qualified vehicles. Carriers operating in Oregon are required to obtain an Oregon PUC permit (plate or temporary) and file quarterly highway use tax reports with Oregon. When completing the IFTA return, add Oregon miles and fuel purchased to the total miles and fuel to obtain a valid mpg factor.

## Surcharge

Several jurisdictions collect an additional tax for each taxable gallon called a surcharge. This surcharge is not collected at the pump or at the time fuel is withdrawn from bulk storage. The surcharge is collected on the quarterly tax return. To accommodate the collection of the surcharge, an additional line has been added to the return. To compute the fuel tax surcharge multiply the taxable gallons by the amount of surcharge. Record that dollar amount in tax due column.

## Lease agreements

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### Rental or leasing

Qualified motor vehicles leased to a carrier are subject to IFTA requirements in the same manner as vehicles owned by the carrier.

The following applies for the lessor, lessee, independent contractor and household goods agents:

- In the case of a short-term motor vehicle rental by a lessor regularly engaged in the business of leasing or renting motor vehicles without drivers, and for compensation to licensees or other lessees of 29 days or less, the lessor will report and pay the fuel tax unless the following two conditions are met:
  - The lessor has a written rental contract which designates the lessee as the party responsible for reporting and paying the fuel use tax.
  - The lessor has a copy of the lessee's IFTA fuel tax license which is valid for the term of the rental.
- In the case of long-term leases, a lessor who is regularly engaged in the business of leasing or renting motor vehicles without drivers for compensation to licensees or other lessees, may be deemed to be the licensee, and such lessor may be issued a license if an application has been properly filed and approved by the base jurisdiction.

### Independent contractors

For a carrier using independent contractors under short-term/trip leases of 29 days or less, the trip lessor will report and pay all fuel taxes.

For a carrier using independent contractors under long-term leases (30 days or more), the lessor and lessee are given the option of designating which one will report and pay fuel use tax. In the absence of a written agreement or contract, or if the document is silent regarding responsibility for reporting and paying fuel use tax, the lessee will be responsible. If the lessee assumes responsibility for reporting and paying motor fuel taxes, the base jurisdiction for purposes of this agreement shall be the base jurisdiction of the lessee regardless of the jurisdiction in which the motor vehicle is registered for vehicle registration purposes.

## Household goods carrier

In situations where a household goods carrier is using independent contractors, agents or service representatives, the party liable for motor fuel taxes shall be:

- a) The lessee (carrier) when the qualified motor vehicle is being operated under the lessee's jurisdictional operating authority. The base jurisdiction for purposes of this agreement shall be the base jurisdiction of the lessee, regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes by the lessor or lessee.
- b) The lessor (independent contractor, agent, or service representative) when the qualified motor vehicle is being operated under the lessor's jurisdictional operating authority. The base jurisdiction, for purposes of this agreement, shall be the base jurisdiction of the lessor regardless of the jurisdiction in which the qualified motor vehicle is registered for vehicle registration purposes.

No member jurisdiction shall require the filing of such leases, but such leases shall be made available upon request of any member jurisdiction.

The filing of the quarterly fuel tax returns for household goods carriers is unique to the household goods industry. Contact the DVS IRP/IFTA office for specific instructions regarding the completion of the quarterly fuel tax return.

## License cancellation, revocation and reinstatements

### Cancelation procedures for end of operation

An IFTA license may be cancelled at the written request of the carrier, provided all reporting requirements and tax liabilities have been satisfied. Upon cancellation, the licensee must return the original IFTA license, decals, and complete a final IFTA quarterly tax return. The record retention period of four years applies.

### License suspension and revocation

The IFTA license may be canceled, suspended or revoked for the following reasons:

- 1) Failure to file an IFTA quarterly tax return.
- 2) Failure to pay delinquent IRP or IFTA taxes.
- 3) Failure to maintain and follow record keeping requirements.
- 4) Failure to pay or appeal an audit assessment within the established time period.
- 5) Failure to comply with all applicable provisions of the IFTA agreement.
- 6) Improper use of the license or decals.
- 7) Failure to operate outside of Minnesota for three consecutive quarters.

Operation of a qualified vehicle under cancellation, suspension or revocation means fuel license privileges are withdrawn and operation of vehicle may result in citation and fines. Minnesota law enforcement agencies and member IFTA jurisdictions will be notified of the suspension or revocation.

### Reinstatement

A cancelled, suspended or revoked fuel license will be reinstated when the requirements leading to the suspension and revocation have been satisfied, and a \$100 reinstatement fee has been paid. In addition, a bond may be required in an amount sufficient to satisfy any potential liabilities in all member jurisdictions. The amount of the bond will be based on industry averages for annual fuel tax liability and may be as high as \$25,000 per year per vehicle.

## Record keeping requirements

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### Retention and availability of records

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

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

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

If the licensee's records are not maintained in the base jurisdiction and the base jurisdiction's auditor's travel to the location where records are maintained, the base jurisdiction may require the licensee to pay the base jurisdiction's reasonable per diem and travel expenses incurred by the auditor or auditors in the performance of an audit.

Following the expiration of the time within which an appeal or request for re-audit or reexamination may be filed under [R1360](#) and [R1390](#), and except in cases of fraud, the findings of an audit, re-audit, or re-examination shall be final as to all member jurisdictions and as to the licensee audited.

Unless a waiver of the statute of limitations is granted by the licensee, no assessment for deficiency or any refund shall be made for any period for which the licensee is not required to retain records. A licensee's request for refund shall extend the period for which records pertaining to the refund must be retained until the request is granted or denied.

### Burden of proof

In an IFTA audit, the burden of proof is on the licensee. The audit will be completed using the best information available to the base jurisdiction.

### Adequacy of records

The records maintained by a licensee shall be adequate to enable the base jurisdiction to verify the distances traveled and fuel purchased by the licensee for the period under audit and to evaluate the accuracy of the licensee's distance and fuel accounting systems for its fleet.

The adequacy of a licensee's records is ascertained by the records' sufficiency and appropriateness. Sufficiency is a measure of the quantity of records produced. That is whether there are enough records to substantially document the operations of the licensee's fleet.



The appropriateness of the records is a measure of their quality. That is whether the records contain the kind of information an auditor needs to audit the licensee for the purposes stated in the preceding paragraph. Records that are sufficient and appropriate are to be deemed adequate.

Provided a licensee's records are adequate under this definition, the records may be produced through any means and retained in any format or medium available to the licensee and accessible by the base jurisdiction. If records are presented in a format or in a manner in which the base jurisdiction cannot audit them, they have not been made available as required.

Licensee records which do not contain all of the elements set out in [P540](#), [P550](#) and [P560](#) may still, depending on the sufficiency and appropriateness of the records and of the licensee's operations, be adequate for an audit.

## Distance records

Distance records produced by a means other than a vehicle-tracking system that substantially document the fleet's operations and contain the following elements, shall be accepted by the base jurisdiction as adequate under this article:

- The beginning and ending dates of the trip to which the records pertain
- The origin and destination of the trip
- The route of travel
- The beginning and ending reading from the odometer, hubodometer, engine control module (ECM) or any similar device for the trip
- The total distance of the trip
- The distance traveled in each jurisdiction during the trip
- The vehicle identification number or vehicle unit number

Distance records produced by a vehicle-tracking system that utilizes latitude and longitudes, a record must be created and maintained at a minimum every 10 minutes when the vehicle's engine is on and contain the following data elements:

- The date and time of each system reading
- The latitude and longitude to include a minimum of 4 decimal places (0.0001) of each system reading
- The odometer reading from the engine control module (ECM) of each system reading. If no ECM odometer is available, a beginning and ending dashboard odometer or hubodometer for the trip will be acceptable
- The vehicle identification number or vehicle unit number

This data must be accessible in an electronic spreadsheet format such as XLS, XLSX, CSV or delimited file. Formats from a vehicle tracking system that provides a static image such as PDF, JPEG, PNG or Word are not acceptable.

A licensee's reporting of distance may deviate slightly from a calendar quarter basis provided that:

- The beginning and ending dates of the licensee's reported distance reflects a consistent cut-off procedure.
- The deviations do not materially affect the reporting of the licensee's operations.
- The deviations do not materially delay the payment of taxes due.
- The cut-off dates for both distance and fuel are the same.
- The base jurisdiction can reconcile the reported distance for the period through audit.

## Fuel records

The licensee shall maintain complete records of all motor fuel purchased, received or used in the conduct of its business and produce these records for audit on request. The records shall be adequate for the auditor to verify the total amount of fuel placed into the licensee's qualified motor vehicles by fuel type.

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

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

The base jurisdiction shall not allow tax-paid credit for any fuel placed into a vehicle other than a qualified motor vehicle.

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

- A receipt, invoice, or transaction listing from the seller
- A credit-card receipt
- A transaction listing generated by a third party
- An electronic or digital record of an original receipt or invoice

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

- The date of the fuel purchase
- The name and address of the seller of the fuel (a vendor code, properly identified, is acceptable for this purpose)
- The quantity of fuel purchased
- The type of fuel purchased
- The price of the fuel per gallon or per liter or the total price of the fuel purchased

- The identification of the qualified motor vehicle into which the fuel was placed
- The name of the purchaser of the fuel (where the qualified motor vehicle being fueled is subject to a lease, the name of either the lessor or lessee is acceptable for this purpose, provided a legal connection can be made between the purchaser named and the licensee)

The licensee shall retain the following records for its bulk storage facilities:

- Receipts for all deliveries
- Quarterly inventory reconciliations for each tank
- The capacity of each tank
- Bulk withdrawal records for every bulk tank at each location

The base jurisdiction shall not allow a licensee tax-paid credit for fuel withdrawn by the licensee from its bulk fuel storage facilities unless the licensee produces records that show one of the following:

- The purchase price of the fuel delivered into the bulk storage includes tax paid to the member jurisdiction where the bulk storage is located.
- The licensee has paid fuel tax to the member jurisdiction where the bulk storage is located.

The licensee shall produce for audit records that contain the following elements for each withdrawal from its bulk storage facilities:

- The location of the bulk storage from which the withdrawal was made
- The date of the withdrawal
- The quantity of fuel withdrawn
- The type of fuel withdrawn
- The identification of the vehicle or equipment into which the fuel was placed

When alternative fuels are purchased or stored in bulk, these same requirements shall apply, in so far as they are practicable. In instances where, with respect to an alternative fuel, a licensee cannot practicably comply with these requirements, the licensee must maintain records that fully document its purchase, storage and use of that alternative fuel.

A licensee's reporting of fuel may deviate slightly from a calendar quarterly basis provided that:

- The beginning and ending dates of the licensee's reported fuel reflects a consistent cut-off procedure.
- The deviations do not materially affect the reporting of the licensee's operations.
- The deviations do not materially delay the payment of taxes due.
- The cut-off dates are the same for distance and fuel.
- The base jurisdiction can reconcile the fuel reported in the period through audit.

## Summaries

A monthly summary of the fleet's operations reported on the corresponding quarterly tax return that includes the distance traveled by and the fuel placed into each vehicle in the fleet during the quarter, both in total and by jurisdiction, may be necessary for the efficient audit of the licensee's records. The licensee shall make such summaries available for audit upon due notice and demand by the base jurisdiction.

## Audits

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The purpose of an IFTA audit is to verify the fuel and distance data reported on the IFTA quarterly tax returns. A Minnesota auditor representing all IFTA jurisdictions conducts the IFTA audit. The IRP and IFTA audits may be combined. To reduce the time of the audit, most audits will be conducted on a sampling basis. The sample period and vehicles must be representative of a licensee's operation.

Thirty days prior to conducting an IFTA audit, an auditor will contact the licensee by email or, if no email is available, by mailed letter to schedule the audit. The auditor will outline the audit time period and the records needed for review.

If records to be audited are located outside of Minnesota, Minnesota requires that the licensee reimburse the state for the per diem and travel expenses of the auditors.

At the beginning of the audit, an opening conference will be conducted, and the auditor will discuss with the licensee their background information, reporting methods, overview of the mileage and fuel accounting system, and records to be reviewed.

The audit emphasis will be placed on the distance accounting system to assure that all distance is reported and fuel receipts maintained to verify tax paid fuel purchases.

## Procedures

In performing the audit, the auditor will verify fuel receipts and mileage generated by all the vehicles registered. The following procedure will be used:

1. Audit will be conducted on a sampling basis (vehicles and months).
2. Reported jurisdiction mileage will be verified by routes of travel and state map miles.
3. Auditor will compare reported miles and fuel against audited miles and fuel.
4. The audit adjustment factors that result from the sample vehicles audited will be used to determine a tax liability or tax refund.
5. Penalty and interest will be assessed for all member jurisdictions if a tax liability results from the audit finding.

A final conference will be conducted with the licensee to explain audit adjustment and future reporting practices. An audit report will be sent to the carrier after the written copy of the audit is processed.

Failure to provide verifiable distance and fuel documentation may result in any of the following actions:

- Reduction in the miles per gallon calculations by 20 percent
- Application of a standard average of 4.0 miles per gallon in calculating tax liability
- Denial of credit for fuel purchased if fuel receipts are altered, erased or unavailable
- Revocation of fuel license
- Audit assessment may be as high as \$25,000 per year, per vehicle

## Rights to appeal

A licensee or applicant may appeal an action or audit finding issued by the base jurisdiction by making a written request for a hearing within 30 days after the notice of the action or finding. If a hearing is not requested within 30 days in writing, the original finding or action is final.

The licensee will be given at least 20 days written notice of the time and place where the hearing will be given. The hearing may be rescheduled if either party has reasonable cause. The licensee may appear in person and/or be represented by counsel at the hearing and is entitled to produce witnesses, documents or other material to substantiate the appeal.

The licensee will be notified of the findings of fact and the ruling. In the case of an audit, if the licensee still disagrees with the original finding, the licensee may request supplemental audit from any member jurisdiction. The requested jurisdiction may accept or deny the request. Further appeal of the finding will proceed in accordance with the Minnesota administrative appeal laws.

## Appendix A

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### IFTA deputy registrar offices - By appointment only

#### **Saint Paul Driver and Vehicle Services (194)**

IFTA/IRP Central Office  
445 Minnesota St.  
St Paul, MN 55101

Phone: 651-205-4141

Hours: Monday – Friday, 8 a.m. – 4:30 p.m.

#### **Canby Deputy Registrar (99)**

129 Saint Olaf Ave. N.  
Canby, MN 56220

Phone: 507-223-5646

Hours: Tuesdays & Thursdays, 9 a.m. – 4 p.m.

#### **Detroit Lakes Deputy Registrar (36)**

Becker County Courthouse  
915 Lake Ave.  
Detroit Lakes, MN 56501

Phone: 218 -846 -7308

Hours: Monday – Friday, 8 a.m. – 3 p.m.

#### **Kasson Deputy Registrar (95)**

13 West Main St.  
Kasson, MN 55944

Phone: 507-634-2061

Hours: Monday – Friday, 10 a.m. – 3 p.m.

#### **Marshall Deputy Registrar (32)**

302 West Redwood St.  
Marshall, MN 56258

Phone: 507-532-4643

Hours: Monday – Friday, 9 a.m. – 3 p.m.

#### **Montevideo Deputy Registrar (34)**

Chippewa County Courthouse  
629 N. 11th St., Suite 5  
Montevideo, MN 56265

Phone: 320-269-6035

Hours: Monday – Friday, 8 a.m. – 3 p.m.

**North Mankato Deputy Registrar (145)**

310 Belgrade Ave. N.  
Mankato, MN 56003

Phone: 507-625-1586

Hours: Monday – Friday, 8 a.m. – 4 p.m.

**Rochester Deputy Registrar (19)**

Crossroads Shopping Center  
1201 S. Broadway Ave.  
Rochester, MN 55904

Phone: 507-282-4711

Hours: Monday – Friday, 9 a.m. – 3:30 p.m.

**Rochester Deputy Registrar #2 (174)**

7389 Airport View Dr. S.W.  
Rochester, MN 55902

Phone: 507-289-0994

Hours: Monday – Friday, 10 a.m. – 3 p.m.

**Thief River Falls Deputy Registrar (30)**

Government Center  
101 Main Ave. N.  
Thief River Falls, MN 56701

Phone: 218-683-7020

Hours: Monday – Friday, 8 a.m. – 3 p.m.

**Worthington Deputy Registrar (33)**

Nobles County Admin Building  
315 10th St.  
Worthington, MN 56187

Phone: 507-295-5264

Hours: Monday – Friday, 8 a.m. – 3 p.m.



## Appendix B

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### Taxpayer Bill of Rights

As a member of the International Fuel Tax Agreement (IFTA), DVS is required to conduct audits on vehicles registered through Minnesota for IFTA program. An audit is a review of IFTA tax returns, trip reports, and fuel receipts to ensure accurate reporting and payment of registration fees and fuel taxes to Minnesota and the other jurisdictions.

Audits are selected on a random basis. Notification is given 30 days prior to the audit, via mail and/or telephone, regarding the initial information regarding the audit process, records needed for review, time, and place of audit. The majority of the audits are completed by mail and will require three types of documents: vehicle distance records, fuel receipts, and monthly distance and fuel summaries.

The audit process is completed in a series of steps including: an opening conference, selection of sample time frames and vehicles, review of internal controls, testing accuracy of distance and fuel records, an audit report, the audit results, and a closing conference.

Responsibilities of the taxpayer:

- Provide complete and accurate information when filing tax returns.
- Maintain compliant distance and fuel records.
- Timely filing and payment of registration and fuel taxes.

The audit finding may be appealed within 30 days from date of the audit-finding invoice. An appeal must be in writing, request for a meeting, include a statement outlining the reason for the appeal, and include details of the additional records that will be provided to support the appeal.

Taxpayer rights:

- Receive audit notices and invoices that explain the reason for taxes, penalties and interest.
- Know why DVS is asking for the distance and fuel records and what will happen if DVS does not receive the records.
- Receive prompt and courteous answers to questions.
- Assured that information provided will not be disclosed by DVS, except as authorized by the IFTA agreements and by Minnesota law.
- The right to choose representation.
- The right to claim a credit or refund, if the audit result is a credit.