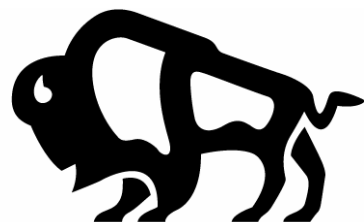


# **International Fuel Tax Agreement (IFTA)**

**MOTOR CARRIER INSTRUCTION MANUAL**

**September 2005**



**Manitoba**



- Table of Contents -

<b>Introduction</b>	1
<b>IFTA Member Jurisdictions</b>	2
<b>Motor Carrier Responsibilities</b>	2
<b>Base Jurisdiction Responsibilities</b>	3
<b>The Licensing Process</b>	3
Who is Required to Licence Under IFTA?	4
How Does a Carrier Determine Where It Is Based for IFTA Purposes?	4
What is a Qualified Motor Vehicle?	4
What About Multiple Fleets?	5
What Carriers Are NOT Required to Licence Under IFTA?	5
How Does a Carrier Become Licensed Under IFTA?	6
What Happens After the Application is Submitted?	6
What Does a Carrier Do With Its IFTA Licence and Decals?	7
When Can a Licensee Begin Using Its IFTA Credentials?	7
How Does a Carrier Add a Vehicle to its Fleet?	7
How Are IFTA Credentials Renewed?	8
Where Can I Purchase Single Trip Permits?	8
Application for Additional IFTA Decals	9
<b>Reporting Operations Under IFTA</b>	10
When is the IFTA Quarterly Tax Report Due?	10
Are Postmarks Honoured for IFTA Return Filing?	10
Is a Quarterly Tax Report Due Even When There Were No Taxable Operations?	11
What is the Penalty For Filing Late?	11
How Does a Licensee Get IFTA Quarterly Tax Report Forms?	11
Are Computer-Generated Reports Acceptable?	11
<b>Other Information</b>	12
Mileage Tax	12
Fuel Trip Permits	12
Off-Road Travel/Idle Time (Manitoba)	12
Bulk Storage	12
Annual Filing	12
<b>Recordkeeping Requirements</b>	13
Where Are IFTA Records to Be Maintained?	13
How Long Do IFTA Records Have To Be Kept?	13
Who May Examine IFTA Records?	13
In What Form Can IFTA Records Be Kept?	14
What Kinds of Records Need to Be Maintained?	14
<b>Tax Payments / Refunds Under IFTA</b>	16
<b>Appeals Procedures</b>	16
<b>Enforcement Provisions</b>	16
What Enforcement Powers Does a Jurisdiction Have Under IFTA?	17
Highway Enforcement	17
Assessment	17
Liens	18
Denial of Refunds	18

Monetary Penalties _____	18
Licence Suspension, Revocation & Reinstatement _____	19
Reinstatement _____	19
<b>Exhibits</b> _____	<b>20</b>
Exhibit "A" - Definitions _____	20
Exhibit "B" - Conversion Table _____	22
Exhibit "C" - Jurisdiction Contact List _____	22
<b>Exhibit "D" - Recordkeeping Requirements - Electronic Data Recording Systems</b> _____	<b>23</b>
<b>Subject Index</b> _____	<b>239</b>

## INTRODUCTION

The International Fuel Tax Agreement (IFTA) can significantly reduce your paperwork and compliance burdens for fuel tax reporting of diesel, gasoline, propane, blended fuel (gasohol, ethanol), compressed natural gas, and other fuels used to power your motor vehicles. It is an agreement among jurisdictions to simplify the reporting of fuel taxes by interjurisdictional motor carriers. Jurisdiction refers to a province or territory of Canada, a state of the United States, or the District of Columbia.

In 1983, three U.S. States - Arizona, Iowa and Washington - joined together to form a base-state fuel use tax agreement they called IFTA. Since January 1, 1997, 58 jurisdictions are members of the IFTA (48 states and 10 provinces).

IFTA is based on the concept of one licence and one administering base jurisdiction for each licensee. A licensee's base jurisdiction will be the administrator of the agreement.

IFTA makes motor carrier compliance with provincial and state fuel use tax requirements much simpler and less expensive. For your operations in any or all of the IFTA member jurisdictions, as an IFTA licensee all you ordinarily have to deal with for fuel tax purposes is:

- One Application Form
- One Fuel Tax Licence
- One Set of Decals for Each Vehicle
- One Quarterly Tax Report
- One Net Tax Payment or Credit
- One Audit
- One Set of Regulations and Procedures

This manual explains your responsibilities as a licensee under IFTA. Definitions of terms used in this manual can be found in Exhibit "A" on page 20. If you have any questions about IFTA after reading this manual, please call Manitoba Finance -Taxation Division at (204) 945-3194 (Toll free 1-800-782-0318).

## IFTA MEMBER JURISDICTIONS

AL	Alabama	NB	New Brunswick
AB	Alberta	NH	New Hampshire
AZ	Arizona	NJ	New Jersey
AR	Arkansas	NM	New Mexico
BC	British Columbia	NY	New York
CA	California	NF	Newfoundland
CO	Colorado	NC	North Carolina
CT	Connecticut	ND	North Dakota
DE	Delaware	NS	Nova Scotia
FL	Florida	OH	Ohio
GA	Georgia	OK	Oklahoma
ID	Idaho	ON	Ontario
IL	Illinois	OR	Oregon
IN	Indiana	PA	Pennsylvania
IA	Iowa	PE	Prince Edward Island
KS	Kansas	PQ	Quebec
KY	Kentucky	RI	Rhode Island
LA	Louisiana	SK	Saskatchewan
ME	Maine	SC	South Carolina
MB	Manitoba	SD	South Dakota
MD	Maryland	TN	Tennessee
MA	Massachusetts	TX	Texas
MI	Michigan	UT	Utah
MN	Minnesota	VT	Vermont
MS	Mississippi	VA	Virginia
MO	Missouri	WA	Washington
MT	Montana	WV	West Virginia
NE	Nebraska	WI	Wisconsin
NV	Nevada	WY	Wyoming

## MOTOR CARRIER RESPONSIBILITIES

A motor carrier subject to the provisions of the International Fuel Tax Agreement (IFTA) has a number of responsibilities. In summary, you must:

- apply to licence with your base jurisdiction by filling out an application for IFTA licence and decals and paying the applicable fees;
- carry a copy of your IFTA licence in the cab of each vehicle operating under the agreement;
- affix IFTA decals on each vehicle operating under IFTA;
- file a IFTA Quarterly Tax Report with your base jurisdiction in a timely manner;

- pay all taxes due under IFTA to your base jurisdiction in a timely manner; and
- maintain records for four (4) years to substantiate your IFTA Quarterly Tax Reports, and make them available for audit upon request.

## **BASE JURISDICTION RESPONSIBILITIES**

A province or state that is a member of the International Fuel Tax Agreement has a number of responsibilities with respect to its motor carriers. As a member of the Agreement, Manitoba must:

- accept and process properly submitted motor carrier applications for IFTA licenses and decals;
- issue IFTA operating credentials (licenses and decals) to the carriers we license;
- provide our licensees with information necessary for them to comply with IFTA requirements;
- distribute IFTA Quarterly Tax Reports to our licensees;
- accept and process IFTA Quarterly Tax Reports and payments from our licensees, and distribute the payments to the other IFTA member jurisdictions;
- maintain records of IFTA licensees' accounts, and issue properly requested refunds to licensees; and
- audit our licensees on behalf of the other IFTA member jurisdictions.

In addition to the responsibilities of the IFTA province or state to its licensees, each jurisdiction must perform its IFTA Quarterly Tax Report processing and distribution functions in an efficient and timely manner, so that every member province or state gets its tax payments from IFTA licensees on time. Each jurisdiction must maintain an audit staff sufficient to ensure that its licensees are filing accurate IFTA Quarterly Tax Reports. Lastly, the jurisdictions must exchange information among themselves so that IFTA can be administered effectively.

## **THE LICENSING PROCESS**

The IFTA licensing process serves a number of purposes:

- 1) Licensing identifies the carrier to its base jurisdiction, and to all other IFTA member jurisdictions, as a taxpayer under IFTA;

- 2) Licensing provides the carrier with the credentials necessary to operate under IFTA; and
- 3) Licensing gives the base jurisdiction the opportunity to provide the carrier with information about its obligations as an IFTA licensee.

The licensing process can be viewed as an exchange of information. You are identifying yourself to your base jurisdiction as a taxpayer. You should also use the occasion to obtain all the information you need to operate smoothly under IFTA.

### **Who is Required to Licence Under IFTA?**

Under IFTA, it is the motor carrier who is licensed, NOT the carrier's vehicles.

Carriers who are based in Manitoba and who operate one or more qualified motor vehicles in the province **and in at least one other IFTA member jurisdiction** must apply to Manitoba for IFTA licensing, by completing an "Application for IFTA Licence and Decals". A list of IFTA member jurisdictions can be found on page 2 of this Manual. Because all provinces and most states are members of the agreement, any Manitoba-based carrier operating qualified motor vehicles interjurisdictionally is required to apply for IFTA credentials, with the following exceptions:

- 1) a carrier who chooses instead to satisfy its fuel tax obligations on a trip-by-trip basis - that is, by purchasing a trip permit when it travels in IFTA jurisdictions. (A trip permit will also be required upon return of the vehicle into Manitoba).
- 2) under some circumstances, a carrier engaged in a lease operation may, under the terms of the lease, be excused from licensing under IFTA. (If you have questions regarding the IFTA licensing requirements for a lease operation, please contact the Winnipeg Taxation Division office at (204) 945-3194 or Toll Free 1-800-564-9789).

### **How Does a Carrier Determine Where It Is Based for IFTA Purposes?**

Under IFTA, your base jurisdiction is the province or state where

- 1) you have qualified motor vehicles based for purposes of vehicle registration; and
- 2) the operational control and operational records of your qualified motor vehicles are maintained or can be made available; and
- 3) the qualified motor vehicles of your fleet travel.

### **What is a Qualified Motor Vehicle?**

IFTA defines a qualified motor vehicle as a motor vehicle used, designed or maintained for the transportation of persons or property and

- 1) having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 11,797 kilograms (26,000 lbs.); or
- 2) having three or more axles regardless of weight; or
- 3) if used in combination with a trailer, having a combined weight that exceeds 11,797 kilograms (26,000 lbs.).

Recreational vehicles are specifically excluded from the definition.

IFTA only requires you to report on the operations of your qualified motor vehicles.

### **What About Multiple Fleets?**

A Manitoba IFTA licensee may have multiple fleets which are base-plated in more than one IFTA jurisdiction. Special permission is required to report the distance travelled for all your fleets on one IFTA Quarterly Tax Report. If you wish to consolidate your fleets based in IFTA jurisdictions outside Manitoba, you should submit a letter of request along with your "Application for IFTA Licence and Decals" to the Winnipeg Taxation Division office. Manitoba Finance will then contact the other IFTA jurisdiction(s) involved, and arrange approval for the consolidated IFTA Quarterly Tax Report.

Alternatively, if you wish, you may treat these jurisdictions as multiple IFTA bases, licensing your various fleets with the jurisdiction in which they are base-plated and filing reports with each one. This might be the case, for example, if your business operations in two separate IFTA jurisdictions were quite different in nature, and you wished to maintain wholly separate operational records. More than likely, however, you will wish to consolidate your filings for fuel tax purposes and will pick just one of these IFTA members as the base jurisdiction for **all** your qualified motor vehicles.

### **What Carriers Are NOT Required to Licence Under IFTA?**

Operations which will **not** be licensed under IFTA are:

- 1) A carrier who does not operate qualified motor vehicles.
- 2) A carrier who does not operate in more than one IFTA member jurisdiction. (For example, if a carrier runs exclusively Manitoba/Nunavut, it will not be licensed under IFTA. Please call the Winnipeg Taxation Division office at (204) 945-3194 or Toll Free 1-800-564-9789 to find out how to file the fuel tax report in Manitoba).
- 3) A carrier who chooses to fulfil its fuel use tax obligations through trip permitting (see page 8 for more information).
- 4) Certain lease operations. (Note: In ALL cases, either the lessor or the lessee is required to be an IFTA licensee).



## How Does a Carrier Become Licensed Under IFTA?

Application forms are available from:

### **Winnipeg Office**

#### **Manitoba Finance**

#### **Taxation Division**

101 - 401 York Avenue

Winnipeg, Manitoba R3C 0P8

Telephone (204) 945-3194

Manitoba Toll Free 1-800-564-9789

Office Hours 8:00 a.m.- 4:30 p.m.

E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)

Web Site: [www.gov.mb.ca/finance/taxation/motor.html](http://www.gov.mb.ca/finance/taxation/motor.html)

### **Westman Regional Office**

#### **Manitoba Finance**

#### **Taxation Division**

349, 340 - 9th Street

Brandon, Manitoba R7A 6C2

Telephone (204) 726-6153

Manitoba Toll Free 1-800-275-9290

Office Hours 8:30 a.m. - 4:30 p.m.

### **Winnipeg Office**

#### **Manitoba Public Insurance**

#### **Driver and Vehicle Licencing**

#### **Commercial Vehicle Registration**

1075 Portage Avenue

Winnipeg, Manitoba R3C 4A4

Telephone (204) 985-7775

Toll Free 1-800-798-1185

Office Hours 8:30 a.m. - 5:00 p.m.

Note: The above contact information for the **Taxation Division Winnipeg office** applies to all your IFTA needs - licensing, tax report filing, appeals, inquiries, etc.

Current IFTA licensing fees in Manitoba are a \$65 annual licensing fee per carrier, plus a \$4 annual decal fee per vehicle (set of two decals). Calculate your registration fees. Mail the completed application form with payment to the Taxation Division office in Winnipeg or Westman (make cheque payable to Minister of Finance) or deliver the completed application form with payment to one of the offices listed above (cheque payable to Minister of Finance if visiting a Taxation Division office or payable to Manitoba Public Insurance if visiting 1075 Portage Avenue). If you have any questions about the information requested in the application form, please contact one of our Taxation Division offices.

## **What Happens After the Application is Submitted?**

If the information the carrier has provided is both complete and accurate, an IFTA account number will be assigned and IFTA credentials (licence and decals) will be issued.

Note that Manitoba cannot issue a licence to an applicant who has previously had an IFTA licence from another jurisdiction revoked and not reinstated. An applicant whose licence application is denied may file a written appeal with Manitoba Finance - Taxation Division at one of the addresses above.

## **What Does a Carrier Do With Its IFTA Licence and Decals?**

When your application has been processed, you become an IFTA licensee. A single IFTA licence will be issued for your fleet of vehicles, and a set of two (2) IFTA decals will be issued for each qualified motor vehicle in your fleet. The licence and decals are your IFTA credentials, which are valid from January 1 through December 31. These credentials qualify you to operate in all jurisdictions which are members of the IFTA without further fuel tax licensing requirements or identification requirements in regard to motor fuel use taxes.

You must keep the original licence in a safe place, and make enough photocopies of the licence to place a copy in each of your qualified motor vehicles.

You must affix the IFTA decals on the lower rear exterior portion of both sides of the cab of your power units. In the case of transporters, manufacturers, dealers or drive-away operations, the decals need not be permanently affixed, but may be temporarily displayed in a visible manner on both sides of the cab.

If your qualified motor vehicles do not properly display the IFTA licence **and** decals (in the required locations), the operator may receive a citation and may be required to purchase a single trip permit.

**Note:** If an owner/operator (who has a copy of your IFTA licence and decals) ceases to be employed by you, please retrieve his licence and the decals from his vehicle. If you are unable to do so, please document the information as the owner/operator may be operating illegally using your IFTA credentials.

## **When Can a Licensee Begin Using Its IFTA Credentials?**

If you are currently a Manitoba IFTA licensee and are renewing your credentials (licence and decals) for the next calendar year, you may begin operating under the new credentials on December 1 of the current year. Conversely, you have a two month grace period in the new year to begin displaying your renewed credentials, but you must continue to display the previous year's IFTA credentials during this grace period, until current year credentials are displayed on your vehicles.

If you are a new IFTA licensee, you must purchase single trip permits for fuel tax purposes in each jurisdiction, until you display proper IFTA credentials on your vehicle.

## **How Does a Carrier Add a Vehicle to its Fleet?**

Once you become a Manitoba IFTA licensee, you may obtain extra decals for any additional qualified motor vehicles added to your fleet anytime during the year. You will have to complete the "Application for Additional IFTA Decals" form, and send it in with your payment of \$4.00 per set of decals. A blank form is included in this manual on page 9, for you to photocopy and use when you need it or you can print it from our web

site (see page 6 for the web site address). Please note that additional decals will not be issued unless your account is up to date, and payment is received for the decals.

If you require IFTA decals immediately and cannot get to an office to obtain them, you should complete the application form as described above, and you should also call the Winnipeg Taxation Division office at (204) 945-3194 or 1-800-564-9789 (Manitoba toll-free). You will be faxed a 30-day Temporary Decal Permit.

The Temporary Decal Permit is a certificate that must be carried in the vehicle named in the certificate, along with a copy of your Manitoba IFTA licence. It may be used for a maximum of 30 days to allow you adequate time to affix the annual decals to your vehicle.

Carriers are again cautioned that failure to display the IFTA licence along with the decals in the required locations, or to carry a temporary decal permit in lieu of the annual decals, may subject the vehicle operator to the purchase of a single trip permit and a citation.

### **How Are IFTA Credentials Renewed?**

IFTA credentials expire December 31 of each year, and must therefore be renewed annually. You will be provided with a renewal application during the last calendar quarter of each year.

You will receive new credentials by filing a completed renewal application with **Manitoba Finance - Taxation Division** only. This application basically brings Taxation Division up to date on any changes in the information since your previous year's application, and is also the time we will collect renewal licence and decal fees.

Taxation Division will issue new credentials if you have filed all required tax reports, have paid all taxes, interest and penalties due, and have not had your licence suspended, revoked or cancelled.

### **Where Can I Purchase Single Trip Permits?**

Manitoba single trip permits can be purchased in person at any weigh scale in the province or by telephone from the Permit Office at (204) 945-3961. The Permit Office is open Monday to Friday, 7:30 a.m. to 6:00 p.m. The fuel tax portion cost of a single trip permit is the greater of \$18 or 6¢ per kilometre travelled or to be travelled in Manitoba. There may be additional costs, depending on the weight of the load being transported.

**Please note that not all weigh scales are open 24 hours.** Contact the Permit Office at (204) 945-3961 if you have any questions about a single trip permit.

## Application for Additional IFTA Decals

(Under The Motive Fuel Tax Act/The Gasoline Tax Act in accordance with the International Fuel Tax Agreement)

Your IFTA Account No. MB0000 _____	1. Enter the total number of decal sets needed  2. Price per set  3. Total Amount due (line 1 times line 2)	
Your name and address (please print)		x \$4.00
		\$

Applicant's Signature	Date	Telephone Number (      )
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Make cheque payable to "MINISTER OF FINANCE - MANITOBA"

May 2001



## REPORTING OPERATIONS UNDER IFTA

Under IFTA, the IFTA licensee files a single, consolidated Quarterly Tax Report with its base jurisdiction, covering its operations in all of the IFTA member jurisdictions. The timely filing of the Quarterly Tax Report to the base jurisdiction, along with the payment of taxes due to all of the IFTA member jurisdictions, discharges the licensee's responsibility for the filing of fuel use tax reports and the payment of fuel use taxes to all of the IFTA member provinces and states.

In general, the IFTA Quarterly Tax Report requires you to calculate your kilometres per litre ratio for your entire operation. Then, for each IFTA member jurisdiction in which you had operations during the quarter, enter: kilometres travelled, fuel used based on the kilometre per litre ratio, and fuel purchased tax-paid. From this, you can calculate your tax liability or credit in each province or state, then net out credits and liabilities to reach a single net payment or credit figure. Step-by-step instructions for completing your IFTA Quarterly Tax Report are in Bulletin No. IFTA-003. All IFTA Bulletins are available on our web site (see page 6 for the address). Alternatively, please contact Taxation Division for a copy of this Bulletin.

The IFTA Quarterly Tax Report should be filed with Manitoba Finance - Taxation Division, at the address shown on the Report. A pre-addressed return envelope will be sent along with each Quarterly Tax Report.

### When is the IFTA Quarterly Tax Report Due?

The Quarterly Tax Reports, and any tax, interest and penalties owing, are due by the last day of the month following the quarter being reported, as follows:

<u>Reporting Quarter</u>	<u>Due Date</u>
January 1 to March 31	April 30
April 1 to June 30	July 31
July 1 to September 30	October 31
October 1 to December 31	January 31

If the due date falls on a weekend or public holiday, the due date becomes the next business day.

### Are Postmarks Honoured for IFTA Return Filing?

Yes. To avoid a late-filing penalty, the Quarterly Tax Report including full payment of any tax due must be postmarked no later than midnight on the due date. Postmarks of Canada Post or a delivery service cancellation mark on the envelope containing the Quarterly Tax Report are acceptable, provided the envelope is properly addressed. A hand-delivered Quarterly Tax Report including full payment of any tax due will be deemed to be filed on the day it is received by an employee of Manitoba Finance - Taxation Division at either of the Taxation Division addresses shown on page 6.

## **Is a Quarterly Tax Report Due Even When There Were No Taxable Operations?**

Yes. You must file a Quarterly Tax Report by the due date even if no fuel was used or kilometres travelled during the reporting period.

## **What is the Penalty For Filing Late?**

A Quarterly Tax Report that is filed after the due date, or without full payment of taxes owing, is considered late. A penalty of \$50 or 10% of the net tax due on the Quarterly Tax Report, whichever is greater, will be applied for a late Quarterly Tax Report. In addition, interest will be calculated monthly on the outstanding balance, in accordance with IFTA requirements. Penalties will also be applied to a licensee who fails to file a Quarterly Tax Report.

A licensee may appeal the imposition of a penalty.

Note also that Manitoba Finance - Taxation Division may require a licensee, who fails to file timely Quarterly Tax Reports, to submit a bond.

## **How Does a Licensee Get IFTA Quarterly Tax Report Forms?**

Manitoba Finance - Taxation Division will provide IFTA Quarterly Tax Report forms to all its IFTA licensees at least thirty days before the date the Quarterly Tax Report is due. If you do not receive a Quarterly Tax Report, you should contact Taxation Division and request one, as it remains your responsibility to file a Quarterly Tax Report and pay the tax by the due date.

A separate Quarterly Tax Report must be completed and submitted for each fuel type. All tax rates shown on the Quarterly Tax Report will be that quarter's tax rates for the IFTA member jurisdictions for that reporting quarter. All rates for U.S. states will have been converted to Canadian dollars, computed to the nearest one tenth of a cent, using a conversion factor established in the International Fuel Tax Agreement. LICENSEES ARE CAUTIONED **NOT** TO USE A QUARTERLY TAX REPORT FOR THE WRONG QUARTER OR FUEL TYPE.

## **Are Computer-Generated Reports Acceptable?**

Computer generated reports may be acceptable, provided they contain all the information required on Manitoba's IFTA Quarterly Tax Report, and are in a format Taxation Division can process. If you wish to file a computer-generated report, you should submit a sample to Taxation Division for approval, prior to using your program to file a return.

## **OTHER INFORMATION**

### **Mileage Tax**

Some states have mileage tax that is outside the scope of the IFTA agreement. Contact the applicable state for more information on calculating and reporting this tax.

### **Fuel Trip Permits**

Distances travelled under a trip permit must be included in "Total Kms Travelled in All Jurisdictions", line (A) of your Quarterly Tax Report, as well as in the "Total Kms" column (3) for the applicable jurisdiction. However, the kilometres would not be included in the "Total Taxable Kms", column (4) for that jurisdiction. Fuel purchases while travelling under a trip permit would be included in "Total Fuel Consumed in All Jurisdictions", line (B), and should also be included in the "Tax Paid Litres Purchased" column (6), if taxes were paid on the fuel when it was purchased, under the appropriate jurisdiction.

### **Off-Road Travel/Idle Time (Manitoba)**

Manitoba has no fuel tax exemption for off-road travel/idle time, however some jurisdictions do. IFTA provides that it is up to each licensee to find out which operations are exempt from taxation by each IFTA member province or state. Exhibit "C" on page 22 provides contact information for each jurisdiction.

### **Bulk Storage**

If you have bulk storage facilities for fuel, your Quarterly Tax Report should include only the applicable tax paid litres for fuel that have been dispensed into qualified motor vehicles during the reporting period (i.e. do not report fuel purchased and put into bulk storage; rather, report fuel dispensed from bulk storage into qualified motor vehicles).

### **Annual Filing**

Special permission is required if you want to submit the Tax Report and remittance on an annual basis. If you have been an IFTA licensee for at least one year, and your operations total less than 8,000 kilometres in all member jurisdictions other than Manitoba during 12 consecutive months, you can request to report on an annual basis. Such a request is subject to concurrence by the member jurisdictions in which you have travelled (based on your history). Make your request in writing to the Winnipeg Taxation Division office address shown on page 6.

## RECORDKEEPING REQUIREMENTS

The maintenance of adequate fuel use tax records by an IFTA licensee is absolutely essential.

- **Records serve to substantiate the licensee's purchases of tax-exempt and tax-paid fuel.**

Under IFTA, it is assumed that any fuel that is obtained by a licensee and that is of a sort ordinarily subject to fuel use taxation is taxable, unless the licensee proves otherwise.

In addition, while a member of IFTA may or may not tax the retail or wholesale purchase of fuel by an interjurisdictional carrier, a licensee must offer proof of any credit it claims for taxes paid on fuel purchased at either wholesale or retail.

- **Records serve to verify what the licensee reports on its IFTA Quarterly Tax Report.**

IFTA licensees are required to maintain records to substantiate the information reported on their Quarterly Tax Reports.

- **Records protect the licensee when it undergoes an IFTA audit.**

REMEMBER: If you do not have records to support what you file with Manitoba, we may disallow your Quarterly Tax Report and claimed credits, and assess you whatever additional tax - plus penalty and interest - is warranted.

### Where Are IFTA Records to Be Maintained?

Operating records must be maintained in Manitoba, or be made available here for audit. If our auditors must go to another jurisdiction to audit your records, we may charge you a reasonable per diem and travel expenses.

### How Long Do IFTA Records Have To Be Kept?

For four (4) years from the due date of the return to which they pertain or the date the return was filed, whichever is later. The licensee may extend this period by signing a waiver. It may also be extended by Manitoba by making a request to examine the licensee's records. The limitation period does not apply if an IFTA Quarterly Tax Report is not filed.

### Who May Examine IFTA Records?

A licensee must make its IFTA records available on request to any member jurisdiction.



## **In What Form Can IFTA Records Be Kept?**

At the option of the licensee, IFTA records may be kept in the original paper form, on microfilm or microfiche, or on some other computerized record storage system acceptable to Manitoba.

In addition, if a carrier employs an electronic data-recording system, such as on-board recording devices or a satellite-tracking system, the records produced by such a system may be used as trip data to support the carrier's IFTA reports in addition to or in lieu of paper documents - provided such records meet IFTA criteria for accuracy, reliability, and completeness. See Exhibit "D" on page 23 for detailed requirements pertaining to electronic data recording systems.

## **What Kinds of Records Need to Be Maintained?**

In general, an IFTA licensee must maintain three kinds of records:

### 1) Retail Fuel Purchase Receipts

Over-the-road fuel purchases at truck stops, service stations, or other dealers must be evidenced by a fuel receipt or invoice, a credit card receipt, automated vendor-generated invoice or transaction listing, or a microfilm/microfiche of the receipt or invoice.

Note that the original fuel receipt is not required. However, a receipt that shows evidence of erasures or other alteration will not be accepted for tax-paid credits unless you can demonstrate the receipt is valid.

Many key-lock and other fuel dispensing systems are now wholly computerized and, instead of issuing paper receipts for individual sales, only furnish periodic printouts of your purchase transactions. These records are acceptable under IFTA to evidence your fuel purchases, provided they contain the data outlined on page 15.

In order for you to claim credit for tax paid on a purchase, the receipt must show that the tax was paid at the pump or directly to the taxing jurisdiction.

The receipts should identify the vehicle by plate, unit number, or other licensee identifier so as to verify that the vehicle belongs to your fleet.

In addition, the receipt or invoice must give:

- the date of purchase,
- the name and address of the seller,
- the quantity of fuel purchased,
- the type of fuel,
- the price per litre or gallon or the total amount of sale, and
- the purchaser's name.

When the vehicle being fuelled was operating under a lease, the receipt may be in

the name of either the lessee or lessor, provided a legal connection can be made to the party reporting the fuel tax.

## 2) Bulk Fuel Records

If you maintain bulk storage for fuel, you must keep certain additional records if you want to claim credit for fuel taken from tax-paid bulk storage and used to fuel qualified motor vehicles.

In general, these records must contain the quantity of fuel taken from your bulk storage and placed into your qualified motor vehicles.

More specifically, the records must reveal:

- the date of withdrawal,
- the number of litres or gallons,
- the type of fuel, and
- the vehicle's unit number, or plate number.

Upon the request of a licensee, Manitoba may waive the requirement that unit numbers be kept as a part of bulk-storage records, provided that plate numbers of the vehicles are recorded.

In addition, for audit purposes, you must retain records (delivery tickets, receipts, or the equivalent electronic records) of all fuel purchased into bulk storage, whether tax-paid or not, and you must also keep inventory reconciliations.

## 3) A Distance-Accounting System

At a minimum, your distance-accounting system **must** include kilometre data for each trip of every qualified motor vehicle, and a monthly recap of these data for each fleet. Each trip sheet (or other similar record, including records produced by electronic data-recording systems) should contain the following information:

- starting and ending dates of the trip,
- trip origin and destination,
- route of travel,
- beginning and ending odometer or hub odometer reading for the trip,
- total kilometres for the trip,
- kilometres by jurisdiction,
- unit or vehicle ID number (and fleet number, if applicable), and
- the licensee's name.

In order to claim credit for exempt operations, you must keep records to distinguish taxable and non-taxable kilometres and fuel.

See Exhibit "D" on page 23 for requirements of licensees who use on-board recording or vehicle tracking devices or other electronic data-recording systems.

No matter what system of distance-accounting a carrier uses, **it is important to ensure that the kilometres recorded reflect the actual route a vehicle travelled.**

## **TAX PAYMENTS / REFUNDS UNDER IFTA**

Satisfying fuel tax obligations under the IFTA agreement is easy for motor carriers. An IFTA licensee makes a single net payment by one cheque to, or claims a single refund from, its base province or state. Along with the filing of the Quarterly Tax Report, this takes care of all its fuel use tax liabilities to all the IFTA member jurisdictions. The base jurisdiction does the work of allocating the credits and debits to the member jurisdictions.

Payment does not have to be by certified cheque, unless requested by the base jurisdiction.

Each month, every IFTA jurisdiction nets out the liabilities and the credits its licensees have reported during that month with respect to each other IFTA province or state, and transfers the funds due or sends a credit report to every other member. A report goes along with the funds transferred identifying the payments and summarizing the information on each licensee's Quarterly Tax Report.

Refunds cheques to licensees are processed monthly.

## **APPEALS PROCEDURES**

The agreement provides that an IFTA licensee or an applicant for an IFTA license may appeal any action or audit finding by any member jurisdiction. However, a licensee with a problem under IFTA should always attempt to settle it informally, before entering the formal appeals process.

In this regard, if you have an objection to any IFTA action or finding made by Manitoba Finance - Taxation Division, please contact the Winnipeg office at the address shown on page 6 of this manual. Formal appeals procedures will be provided to you at that time, if required.

## **ENFORCEMENT PROVISIONS**

The International Fuel Tax Agreement places many responsibilities upon its motor-carrier licensees, as well as upon the jurisdictions that are members of the Agreement. The primary duties of an IFTA licensee, of course, are to file accurate Tax Reports on time and to pay timely the correct amount of tax due.

IFTA's audit procedures are the primary means of enforcing these duties; but IFTA includes other provisions which bear on the enforcement of a licensee's responsibilities, the collection of unpaid taxes, and penalties for infractions of IFTA's requirements.

### **What Enforcement Powers Does a Jurisdiction Have Under IFTA?**

In summary, an IFTA member jurisdiction has the authority to:

- enforce IFTA licensing and credential requirements through highway inspections of a motor carrier's vehicles,
- enforce IFTA filing and payment requirements through audit of a licensee's records,
- issue and enforce an assessment when a licensee fails or refuses to produce records for audit,
- collect overdue taxes through the exercise of statutory lien provisions,
- deny refunds for non-payment of taxes,
- impose monetary penalties for failure to file a return, filing a return late, and underpayment of taxes due, and
- suspend or revoke a motor carrier's IFTA licence for failure or refusal to comply with IFTA requirements.

### **Highway Enforcement**

All the IFTA jurisdictions have the authority to inspect qualified motor vehicles operating on their roads, to see if the motor carrier is properly licensed under IFTA and if the vehicle bears the proper IFTA credentials.

IFTA specifies that a vehicle that is not carrying a copy of an IFTA licence will not be considered to be operating under the Agreement, and the vehicle's operator may be subject to citation and required to purchase a trip permit.

If a vehicle subject to the requirements of IFTA is not displaying the IFTA decals or a temporary decal permit, or if the decals are incorrectly located, the operator may be subject to a citation and required to purchase a trip permit.

### **Assessment**

If a licensee:

- fails to make records available to its base jurisdiction within 30 days of a written request to do so, or

- fails to maintain records through which its tax liability under IFTA may be determined, or
- fails to file a timely Tax Report,

the base jurisdiction may determine for itself the licensee's tax liability for each IFTA jurisdiction. Such an assessment will be based on the best information available to the base jurisdiction. If not refuted by the licensee, this assessment will become final and may be collected by the jurisdiction like any other delinquent liability.

## **Liens**

The collection of taxes, penalty, and interest owed by an IFTA licensee to any member jurisdiction is the responsibility of the licensee's base jurisdiction, and the base jurisdiction may employ liens to collect IFTA liabilities more than 30 days delinquent. IFTA provides that a province or state may use its own statutory lien laws for this purpose, but that appropriate notice and due process must be granted the licensee.

## **Denial of Refunds**

When a motor carrier becomes licensed under IFTA, it agrees that the base jurisdiction may withhold refunds of IFTA credit amounts unless the licensee is current in its fuel use tax payments with all IFTA jurisdictions.

In fact, IFTA does not **allow** the base jurisdiction to refund accumulated tax credits unless the licensee requesting the refund has paid all taxes, interest, and penalty due under IFTA to Manitoba with respect to all the IFTA member jurisdictions. An exception may be made for amounts under appeal.

## **Monetary Penalties**

IFTA provides that the base jurisdiction may impose a penalty on a licensee of \$50 or 10% of delinquent taxes, whichever is larger, for failure to file an IFTA Quarterly Tax Report, for late filing, or for underpayment of tax due. This includes amounts found to be due upon audit, at which time a penalty may be imposed for **each** quarter in which a carrier is found by the auditor to have underpaid.

The base jurisdiction keeps the penalty, and is not required to distribute it to the other jurisdictions as it does the interest charged on delinquencies. Similarly, the base jurisdiction may, for good cause, waive the application of the penalty, but cannot ordinarily waive a licensee's obligation to pay interest.

A base jurisdiction may waive the interest due on taxes a carrier paid late when the carrier can show that the Report for those taxes was filed late through misinformation given the carrier by the base jurisdiction itself. Even in these circumstances, however, only the interest due on the base jurisdiction's own taxes may be waived.

## **Licence Suspension, Revocation & Reinstatement**

Apart from auditing a licensee's records, probably the most powerful enforcement tool a base jurisdiction is granted under IFTA is the authority to suspend or revoke a motor carrier's IFTA licence for failure to comply with the requirements of the Agreement.

IFTA distinguishes between license **suspension, revocation, and cancellation.**

**"Suspension"** means the temporary removal of privileges granted to the licensee by the licensing jurisdiction. Suspension is a **somewhat** less serious step than licence revocation, and reinstatement after suspension does not involve reapplying for a licence.

**"Revocation"** means withdrawal of licence and privileges by the licensing jurisdiction. Reinstatement of a licence that has been revoked requires reapplication for a licence.

**"Cancellation"** means the annulment of a licence by either the licensing jurisdiction or the licensee. Cancellation is an administrative rather than an enforcement procedure, by which the licence of an inactive account may be deleted from IFTA's tax rolls. A base jurisdiction may cancel the licence of a carrier that has gone out of business, for example, or a licensee may request that its licence be cancelled if it ceases to have interjurisdictional operations.

Clearly, suspension or revocation of an IFTA licence is a serious matter, since a jurisdiction may not issue an IFTA licence to a carrier which has a previous IFTA licence still under suspension or revocation by another IFTA member jurisdiction. Therefore, a carrier that loses its IFTA privileges through revocation or suspension may not operate legally - except through trip permits - in **ANY** IFTA jurisdiction, until it resolves the problem that resulted in the loss of its licence.

**IFTA provides that a failure to comply with any applicable provision of the Agreement is grounds for a member jurisdiction to suspend or revoke a licensee's privileges under IFTA.**

In particular, IFTA provides that if a tax delinquency accruing under IFTA has not been paid or appealed within 30 days after the licensee has been notified of it, the base jurisdiction WILL notify the licensee by certified mail that its licence has been revoked, effective immediately.

Within 10 days of a licence suspension or revocation, the base jurisdiction is required to notify the other IFTA member jurisdictions of such an action.

### **Reinstatement**

A licensee whose licence has been revoked or suspended may have it reinstated provided the issue for which the initial action was taken has been resolved. As noted, the reinstatement of a revoked licence involves a reapplication and the payment of a

reinstatement fee. In addition, licence revocation is grounds for the base jurisdiction to require a reinstated motor carrier to post a bond, and pay future tax liabilities by certified cheque.

## **EXHIBITS**

### **Exhibit "A"**

## **DEFINITIONS**

### **Audit**

A physical examination of the records and source documents supporting the licensee's Quarterly Tax Reports.

### **Base Jurisdiction**

The member jurisdiction where qualified motor vehicles are based for vehicle registration purposes and;

- 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 fleet. The commissioners of two or more affected jurisdictions may allow a person to consolidate several fleets that would otherwise be based in two or more jurisdictions.

### **Cancellation**

The annulment of a licence and its provisions by either the licensing jurisdiction or the licensee.

### **Fleet**

One or more vehicles.

### **Jurisdiction**

A province or territory of Canada, a state of the United States of America, the District of Columbia, or a State of the United Mexican States.

### **Lessee**

The party acquiring the use of equipment with or without a driver from another.

### **Lessor**

The party granting the use of equipment with or without a driver to another.

### **Licensee**

A person who holds a valid licence issued by the base jurisdiction.

### **Motor Fuels**

All fuels used for the generation of power for propulsion of qualified motor vehicles.

### **Qualified Motor Vehicle**

A motor vehicle used, designed, or maintained for transportation of persons or property and

- having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 11,797 kilograms or 26,000 pounds; or
- having three or more axles regardless of weight; or
- if used in combination with a trailer, having a combined weight that exceeds 11,797 kilograms or 26,000 pounds.

Does not include recreational vehicles.

### **Recreational Vehicle**

Vehicles such as motor homes, pick-up trucks with attached campers, and buses when used exclusively for personal pleasure by an individual. In order to qualify as a recreational vehicle, the vehicle shall not be used in connection with any business endeavour.

### **Reporting Period**

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

### **Revocation**

Withdrawal of licence and privileges by the licensing jurisdiction.

### **Tax Rate**

This is the fuel use tax rate per litre, including any fuel use surtax, prevailing in the province/state during the **quarter** being reported, and for the **fuel** being reported.

### **Temporary Permit**

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

### **Weight**

The maximum weight of the loaded vehicle or combination of vehicles during the registration period.



## Exhibit "B"

### CONVERSION TABLE

1 US Gallon	=	3.785 Litres
1 Mile	=	1.6093 Kilometres
1 Litre	=	.2642 U.S. Gallons
1 Kilometre	=	.62137 Miles

## Exhibit "C"

### JURISDICTION CONTACT LIST

Jurisdiction	Phone	Fax
Alabama	(334) 242-9078	(334) 242-9073
Alberta	(780) 427-3044	(780) 422-3770
Arizona	Licencing (602) 712-8896 Tax Reporting (602) 712-7896	Licencing (602) 712-8924 Tax Reporting (602) 712-3230
Arkansas	(501) 682-4814	(501) 682-5599
British Columbia	(250) 387-0635	(250) 387-5882
California	(916) 324-2663	(916) 323-4404
Colorado	(303) 205-8205	(303) 205-8215
Connecticut	(860) 541-3222	(860) 541-7698
Delaware	(302) 744-2702	(302) 739-6299
Florida	(850) 488-6921	(850) 922-7148
Georgia	(404) 417-6768	(404) 417-6717
Idaho	(208) 334-8692	(208) 334-2006
Illinois	(217) 785-1397	(217) 524-9211
Indiana	(317) 615-7345	(317) 821-2337
Iowa	(515) 237-3224	(515) 237-3354
Kansas	(785) 296-5485	(785) 296-2703
Kentucky	(502) 564-4540	(502) 564-2132
Louisiana	(225) 219-7656	(225) 219-2446
Maine	(207) 624-9000 x 52136	(207) 624-9086
Manitoba	(204) 945-3194	(204) 948-2087
Maryland	(410) 260-7138	(410) 974-3129
Massachusetts	(617) 887-5054	(617) 887-5089
Michigan	(517) 636-4580	(517) 636-4593
Minnesota	(651) 405-6161	(651) 405-6168
Mississippi	(601) 923-7152	(601) 923-7165
Missouri	(573) 751-3523	(573) 751-0916
Montana	(406) 444-0816	(406) 444-9263
Nebraska	(402) 471-4435	(402) 471-4024
Nevada	(775) 684-4648	(775) 684-4619

<b>Jurisdiction</b>	<b>Phone</b>	<b>Fax</b>
New Brunswick	(506) 444-5758	(506) 444-5086
New Hampshire	(603) 271-2311	(603) 271-6758
New Jersey	(609) 633-9408	(609) 633-9393
New Mexico	(505) 827-1005	(505) 827-0135
New York	(800) 972-1233	
Newfoundland	(709) 729-1786	(709) 729-2856
North Carolina	(919) 733-8188	(919) 733-8654
North Dakota	(701) 328-2928	(701) 328-3500
Nova Scotia	(902) 424-2850	(902) 424-0660
Ohio	(614) 466-3522	(614) 752-8644
Oklahoma	(405) 522-8772	(405) 521-2916
Ontario	(905) 433-6412	(905) 436-4511
Oregon	(503) 373-1634	(503) 378-8815
Pennsylvania	(717) 705-5460	(717) 787-6261
Prince Edward Island	(902) 368-4161	(902) 368-6164
Quebec	(418) 652-4382	(418) 577-5299
Rhode Island	(401) 222-6317	(401) 222-6314
Saskatchewan	(306) 787-7749	(306) 787-0241
South Carolina	(803) 737-1755	(803) 896-3871
South Dakota	(605) 773-5335	(605) 773-4117
Tennessee	(615) 687-2296	(615) 253-2287
Texas	(512) 463-3849	(512) 475-0900
Utah	(801) 297-7661	(801) 297-7697
Vermont	(802) 828-2070	(802) 828-3577
Virginia	(866) 878-2582	(804) 367-0273
Washington	(360) 664-1868	(360) 586-5905
West Virginia	Tax Returns (304) 558-0700 Licence, Decals (304) 558-4448	Tax Returns (304) 558-1989 Licence, Decals (304) 558-3735
Wisconsin	(608) 267-4385	(608) 267-0220
Wyoming	(307) 777-4827	(307) 777-4772

## **Exhibit "D"**

### **RECORDKEEPING REQUIREMENTS ELECTRONIC DATA RECORDING SYSTEMS**

The following information has been taken directly from the IFTA Procedures Manual.

#### **P610 OPTIONAL USE FOR FUEL TAX REPORTING**

On-board recording devices, vehicle tracking systems, or other electronic data recording systems may be used (at the option of the carrier) in lieu of or in addition to handwritten trip reports for fuel tax reporting. Other equipment monitoring devices that transmit data or may be interrogated as to vehicle location or travel may be used to supplement or verify handwritten or electronically-generated trip reports.

Any device or electronic system used in conjunction with a device shall meet the requirements stated in this Section.

On-board recording or vehicle tracking devices may be used in conjunction with manual systems or in conjunction with computer systems.

## **P620 DEVICES USED WITH MANUAL SYSTEMS**

All recording devices must meet the requirements stated in IFTA Procedures Manual Section P640 and P660.

When the device is to be used alone, printed reports must be produced which replace handwritten trip reports. The printed trip reports shall be retained for audit. Vehicle and fleet summaries which show miles and kilometres by jurisdiction must then be prepared manually.

## **P630 DEVICES USED WITH COMPUTER SYSTEMS**

The entire system must meet the requirements stated in IFTA Procedures Manual Sections P640, P650, and P660.

If the printed trip reports will not be retained for audit, the system must have the capability of producing, upon request, the reports indicated in IFTA Procedures Manual Section P640.

When the computer system is designed to produce printed trip reports, vehicle and fleet summaries which show miles and kilometres by jurisdiction must also be prepared.

## **P640 DATA COLLECTION REQUIREMENTS**

To obtain the information needed to verify fleet distance and to prepare the "Individual Vehicle Distance Record", the device must collect the following data on each trip.

### **.100 Required Trip Data**

- .005 Date of Trip (starting and ending);
- .010 Trip origin and destination (location code is acceptable);
- .015 Routes of travel or latitude/longitude positions used in lieu thereof (may be waived by base jurisdiction). If latitude/longitude positions are used, they must be accompanied by the name of the nearest town, intersection or cross street. If latitude/longitude positions are used, jurisdiction crossing points must be calculated or identified;
- .020 Beginning and ending odometer or hubodometer reading of the trip (may be waived by base jurisdiction);

- .025 Total trip distance;
- .030 Distance by jurisdiction;
- .035 Power unit number or vehicle identification number;
- .040 Vehicle fleet number; and
- .045 Registrant's name.

**.200 Optional Trip Data** (may be included at the discretion of the base jurisdiction)

- .005 Driver ID or name; and
- .010 Intermediate trip stops.

**.300 Fuel Data**

For purposes of fuel tax reporting, the device must collect the following data:

- .005 Date of purchase;
- .010 Seller's name and address (vendor code acceptable);
- .015 Number of gallons or liters purchased;
- .020 Fuel type (may be referenced from vehicle file);
- .025 Price per gallon or liter or total amount of sale (required only for purchases from vendors);
- .030 Unit numbers; and
- .035 Purchaser's name (in the case of lessee/lessor agreement, receipts will be accepted in either name, provided a legal connection can be made to reporting party).

**.400 Bulk Fuel Data**

For purposes of bulk fuel tax, the device must collect, in addition, the following data:

- .005 Date of withdrawal;
- .010 Number of gallons or liters;
- .015 Fuel type;
- .020 Unit number; and
- .025 Purchase and inventory records to substantiate that tax was paid on all bulk purchases.

## **P650 REPORTING REQUIREMENTS**

The following reports may be prepared by an electronic computer system which accepts data from on-board recording or vehicle tracking devices rather than the recording device itself. The system shall be able to produce the following reports:

### **.100 Trip Reports**

An individual Vehicle Distance Record (IVDR) report for each trip that includes the information required in IFTA Procedures Manual Section P640. (Note: This report may be more than one page.)

### **.200 Summary Reports for Individual Vehicles**

Monthly, quarterly, and annual summaries of vehicle trips by vehicle number showing miles or kilometres by jurisdiction.

### **.300 Summary Reports for Fleets**

Monthly, quarterly, and annual trip summaries by fleet showing the number of miles or kilometres by jurisdictions.

### **.400 Exception Reports**

Exceptions that identify all edited data, omissions of required data (see IFTA Procedures Manual Section P640), system failures, non-continuous life-to-date odometer readings, travel to noncontiguous jurisdictions, and trips where the location of the beginning trip is not the location of the previous trip must be identified.

### **.500 Calibration Reports**

.005 In cases where speed/rpm sensors or odometer/speedometer interface devices are providing pulse inputs to the on-board computer, the system will record the calibration factors used in calculating mileage at time of download from the vehicle to the base computer.

.010 The fleet shall also keep accurate records of all Engine Control Module calibrations.

## **P660 MINIMUM DEVICE REQUIREMENTS**

### **.100 Certification of Testing**

The carrier must obtain a certificate from the manufacturer certifying that the design of the on-board recording or vehicle tracking device has been sufficiently tested to meet the requirements of this provision.

## **.200 Security**

The on-board recording or vehicle tracking device and associated support systems must be, to the maximum extent practicable, tamperproof, and must not permit altering of the information collected. Editing the original information collected will be permitted. All editing must be identified, and both the edited and original data must be recorded and retained.

## **.300 Function Warning**

The on-board recording or vehicle tracking device shall warn the driver visually and/or audibly that the device has ceased to function.

## **.400 Time and Date Stamping**

The device must time and date stamp all data recorded.

## **.500 Memory Full Warning**

The device must not allow data to be overwritten before the data has been extracted. The device shall warn the driver visually and/or audibly that the device's memory is full and can no longer record data.

## **.600 Odometer Update**

The device must automatically update a life-to-date odometer when the vehicle is placed in motion or the operator must enter the current vehicle odometer reading when the on-board recording or vehicle tracking device is connected to the vehicle.

## **.700 Confirmation of Data Entered**

The device must provide a method for the driver to confirm that the entered data is correct (e.g., a visual display of the entered data that can be reviewed and edited by the driver before the data is finally stored).

## **P670 CARRIER RESPONSIBILITIES**

### **.100 Recalibration**

It is the carrier's responsibility to recalibrate the on-board recording device on mechanical or electronic installations when the tire size changes, the vehicle drive-train is modified, or any modifications are made to the vehicle which affect the accuracy of the on-board recording device. The device must be maintained and recalibrated in accordance with the manufacturer's specifications. A record of recalibrations must be retained for the audit retention period.

### **.200 Data Backup**

It is the carrier's responsibility to maintain a second copy (back-up copy) of the electronic files either electronically or in paper form for the audit retention period.

**.300 Electronic Data Transfers**

At the discretion of the jurisdiction, carriers may submit records for audit to the jurisdiction through electronic data transfer.

**.400 Training of Drivers**

It is the carrier's responsibility to assure its drivers are trained in the use of the computer system. Drivers shall be required to note any failures of the on-board recording or vehicle tracking device and to prepare manual trip reports of all subsequent trip information until the device is again operational.

**.500 Compliance**

It is the carrier's responsibility to assure the entire recordkeeping system meets the requirements of IFTA. It is suggested that the carrier contact the base jurisdiction IFTA Audit Section for verification of audit compliance prior to implementation.

# SUBJECT INDEX

<b>A</b>	
Annual Filing .....	12
Appeals .....	16
Application for Licensing .....	6

<b>B</b>	
Base Jurisdiction .....	3
Defined .....	20
Determination by Carrier .....	4
Responsibilities .....	3
Bonds .....	11, 20
Bulk Fuel Records .....	15

<b>C</b>	
Carrier, Benefits from IFTA .....	1
Responsibilities .....	2
Collection, Jurisdiction Powers .....	16–20
Conversion, Metric .....	22
Tax Rates .....	11
Credentials .....	6–8
Additional Decals .....	9
Additions to Fleet .....	7
Display .....	7
Highway Enforcement .....	17
Leases .....	4, 5
Renewals .....	8
Temporary .....	8

<b>D</b>	
Decal, Display .....	7

<b>E</b>	
Electronic Recordkeeping Systems .....	23
Enforcement, Jurisdiction Powers .....	16–20

<b>F</b>	
Fees .....	6
Filings, Due Dates .....	10
Late Filing .....	10, 11
Postmark as Evidence .....	10
Fleets, Multiple .....	5
Fuel	
Purchase Records .....	14

<b>H</b>	
Highway Enforcement .....	17

<b>I</b>	
IFTA	
History .....	1
Member Jurisdictions .....	2
Interest Charges .....	11

<b>K</b>	
Kilometres Travelled, Records of .....	15

<b>L</b>	
Leases .....	4, 5
Licence, IFTA, Term of .....	7
Licensing .....	3–9
Application .....	6
Carriers Not Required to Licence .....	5
Carriers Required to Licence .....	4
Fee .....	6
Jurisdiction, Denial of .....	6
Lessee/Lessor .....	5, 20
Renewals .....	8
Suspension, Revocation, Reinstatement .....	19

<b>N</b>	
No Operations Report .....	11

<b>O</b>	
Off-Road Travel .....	12

<b>P</b>	
Penalties .....	11, 18

<b>Q</b>	
Qualified Motor Vehicle .....	4, 21

<b>R</b>	
Receipts, Bulk Storage .....	15
Retail Purchases .....	15
Records, Carrier .....	13–16
Availability for Audit .....	13
Retention Period .....	13
Refunds .....	16
Denial of .....	18
Interest on Late Payment .....	11
Report Form, Computer-Generated .....	11
Where to Obtain .....	6
Reporting, IFTA .....	10
Annual .....	12
Due Dates .....	10
No Operations .....	11
Penalties if Late .....	11
Where to File .....	6

<b>T</b>	
Tax Liability, Non-payment of .....	16–20
Tax Payments .....	16
Allocation .....	16
Tax Rates .....	11, 21
Trip Permitting .....	8, 12