Prorate and Fuel Tax Services
Prorate and Fuel Tax (PR&FT)

76 staff

- Five locations
- Core functions
  - Licensing and Fuel Tax Reporting
  - Collection of Fuel Taxes and Vehicle Registration Fees
  - Refund of State Fuel Taxes
  - Audits
Prorate and Fuel Tax Services

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When Fuel Tax is Imposed

State fuel taxes are imposed when:

✓ fuel is removed from a terminal rack,
✓ imported,
✓ produced, or
✓ blended in Washington
Fuel Tax Revenue Utilized for...

- Highways and Transportation
  - Construction
  - Road Maintenance
  - Ferry System

- Law Enforcement
  - State Patrol
  - State Criminal Justice Activities
Common Terms

**Supplier:**
- Own inventory in bulk transfer-terminal system
- Remove fuel from the bulk transfer-terminal and sell the product

**Importers:**
- Companies who import fuel to Washington

**Exporters:**
- Companies who export fuel from Washington

**Blenders:**
- Companies blend non-taxed product with taxed fuel
- Manufacturers of alternative fuel
Common Terms - continued

**Distributor:**
- They are the middlemen in fuel distribution system and are known as “Jobbers”
- Purchase fuel from suppliers

**Retailers:**
- Service stations & convenience stores selling fuel to end users
Common terms - continued

Bulk Transfer Terminal Systems:
• Refineries, pipelines, vessels, and terminals

Terminal:
• Bulk fuel storage facility supplied by pipeline and vessel

Terminal Rack:
• A giant gas pump located at a terminal to fill highway tankers
• Distributors remove fuel for retailers and bulk fuel users
Tax at the Rack – Motor Fuel

Terminal Rack Fuel Provided by Barge or Pipeline

Licensed Exporter (Tax Free Export)
Tracking Schedule Required by Exporter

Terminal Rack Supplier

Licensed Supplier Tax Free to Terminal Rack
Tracking Schedule Required by Supplier

Licensed Motor Fuel Distributor
No Tracking Schedule

Retail Outlet

Licensed Importer
No Tracking Schedule
Taxable Transaction

POINT OF TAXATION

Tracking Schedule Required by Supplier

Tracking Schedule Required by Supplier

POINT OF TAXATION
Example:

- Supplier owns fuel at Terminal Rack
- Distributor purchases fuel from Supplier
- Distributor pays taxes to Supplier
- Supplier files tax return and remits fuel taxes to DOL
- Distributor sells to construction company with taxes included
- Construction company files refund claim for off-road use
Exemptions to Fuel Tax

Motor Fuel:
- Non-highway use and auxiliary equipment
- Marine use
- Public transportation governmental entities

Diesel Fuel:
- Road maintenance and construction (WSDOT, cities, & counties)
- Publicly owned fire fighting equipment
- U.S. Government vehicles
- Off-highway use (bulldozers, logging trucks)
- Marine use
- Public transportation governmental entities

Other:
- Heating oil
- Aircraft – commercial aircraft, testing and manufacturing
Collection & Refunds of Fuel Tax

Fuel Tax Revenues Collected
- $1.2 billion annually

Process and Reconcile of Tax Returns
- Motor Fuel, Special Fuel, Aircraft Fuel, and Heating Oil
- 11 licensed tax types and 866 licensees

Refund
- Issue 12,780 refunds totaling $67 million in CY 2009
Tribal Fuel Tax Agreements

- Governor enters into agreements (delegated to the Director of DOL)
- Federally recognized tribes, reservations in WA
- Motor fuel and special fuel taxes
- Fuel taxes included in price of fuel delivered to tribally-licensed retail station
- PR&FT is responsible for administering fuel tax agreements
Three Types of Agreements:

**Per Capita Agreement** *(Based upon formula)*
Annual amount of fuel tax refunded to tribe -
- Average per capita consumption of gasoline
- Number of enrolled tribal members in service area
- Current state fuel tax rate

**75% Refund and 25% State Tax Agreement**
- Tribes purchase fuel, state tax included
- Tribe receives 75 percent of state fuel tax revenue collected as refund and state retains 25 percent as state tax

**Consent Decree**
- A judicial decree
- Court’s approval of agreement between parties to resolve dispute
21 Total Agreements
- 6 - Per Capita Formula
- 14 – 75% Refund and 25% State Tax
- 1 of the 14 are Consent Decrees

Revenue and Refunds
- Approximately $18.6 million fuel tax refunds (all agreement types)
- Revenue to state from 75/25 Agreements - $4.6 million
Policy & Communications

Managing policy and communications for PRFT, to include:

- Legislation, Policies, RCW & WAC updates
- Public Disclosure
- Project Management
- Grants & Contracts
- Hearings Officer
- Liaison – Systems Support
- External Communication (reports, data, stakeholders)
Communications...

Provide stats and data to the following:

✓ Federal Government Entities - Federal Motor Carrier Safety Administration and Federal Highway Administration
✓ State Agencies
✓ Legislature
✓ Industry Associations
✓ Public Organizations
✓ Individuals
Interstate Trucking & Fuel Tax

• Manage Two International Agreements

• Data Share into Federal Programs
  ✓ Commercial Vehicle Information Systems and Networks Program (CVISN)
  ✓ Performance Registration Information Systems Program (PRISM)
International Agreements Types

International Registration Plan (IRP)
✓ Commercial Vehicle Registration Fees
✓ 59 jurisdictions = 48 states, Washington D.C., and 10 Canadian Provinces

International Fuel Tax Agreement (IFTA)
✓ Collection of Fuel Taxes
✓ 58 jurisdictions = 48 states and 10 Canadian Provinces

Federal Requirements
✓ Participation is mandatory; one stop-shop for interstate commercial vehicle registration and fuel tax licensing
✓ Approximate: 4,000 companies/30,000 vehicles
✓ IRP & IFTA Revenue received = $54 million annually
Finance & Compliance

Motor Carrier Financial Unit:
- Exchange IFTA & IRP data with other jurisdictions
- Distribute fuel taxes/licensing fees to other jurisdictions
- Reconcile revenues received from other jurisdictions

Financial Services Unit:
- Account and reconcile financial transactions
  - Reconcile all fuel tax revenues received
  - Approve or deny refunds
- Issue various assessments (i.e. deficiency assessments for IFTA)
Finance & Compliance - continued

Compliance Unit:
- Collect unpaid fuel taxes and proportional registration fees
- Negotiate deferred payments contracts and settlement agreements

Fuel Tax Refund Unit:
- Process 6,600 refunds annually for refund permit holders
  - Examples: boaters, farmers, construction, etc.
  - 13 month statutory time limit
Audit & Investigations

Audit, Prorate and Fuel Tax Licensees and Refund Permit Holders

- Auditors compare and reconcile tax returns to licensees’ records
  - 400 audits conducted annually
  - Audit Selection: 3% Mandated IFTA/IRP, Random, or Referral
  - Out-of-State Audits – Major Oil Companies
  - DOL audited every 4 years National IRP/IFTA Associations
DOL partners with WSP to investigate:

- Dyed Special Fuel
  - Red Dye Injected into Diesel Fuel
  - Illegal Use

- Illegal imports
  - Trucks, railroads, barges

- Assessments
  - Taxes, penalties, and interest
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