

NCSL PARTNER MEETING
AUSTIN TX.



**IFTA AND THE LESSONS
LEARNED OVER 40 YEARS**

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What is IFTA?

- ✓ The International Fuel Tax Agreement
- ✓ A tax collection agreement by and among the 48 contiguous United States and 10 Canadian Provinces
- ✓ Uniform administration of motor fuels use taxation laws with respect to qualified motor vehicles ***operated in more than one member jurisdiction***



Tax Collected Through IFTA

Motor fuel use taxes that are imposed by each jurisdiction on the consumption of motor fuel in qualified motor vehicles.



Managed by the International Fuel Tax Association,
Inc.

Genesis of IFTA.....



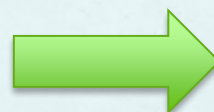
1983

- AZ, IA, and WA formed a cooperative agreement known as the International Fuel Tax Agreement.



1987

- National Governors Association recommended the adoption of the International Fuel Tax Agreement as the model for the fuel use tax.



1991

- In 1991, President Bush signed the Intermodal Surface Transportation Efficiency Act (ISTEA) into law in the U.S.

ISTEA



Framework to establish a surface transportation system.



Authorized funds for highway construction and safety.



Created a mandate that by September 30, 1996, the 48 contiguous United States must establish a uniform approach to vehicle registration and collect motor fuel taxes in conformity with the International Fuel Tax Agreement or risk losing the ability to charge fuel use tax on interstate commerce and risk losing federal highway grants.



IFTA's Core Principles



- ✓ Base Jurisdiction
- ✓ Retention of Sovereign Authority to determine tax rates, exemptions and exercise other substantive tax authority
- ✓ Uniform Definition of Qualified Motor Vehicle



Benefits to the Licensee



- ✓ One license and one set of decals for each qualified motor vehicle to operate through all member jurisdictions
- ✓ One tax return filed each quarter with the base jurisdiction
- ✓ One tax payment or refund
- ✓ One audit by the base jurisdiction
- ✓ Reduced administrative costs

Benefits to the Jurisdiction

- ✓ Fewer taxpayers
- ✓ Lower administrative costs
- ✓ Increased audit coverage
- ✓ Increased enforcement



Is RUC focused
on federal or
state?

- **The answer should be both!**
- **And what to do about interoperability for both commercial and passenger vehicles?**



ISN'T RUC JUST ABOUT THE
TECHNOLOGY AND
METHODOLOGY OF HOW
TAXES WILL BE COLLECTED?

Much more to think about including...

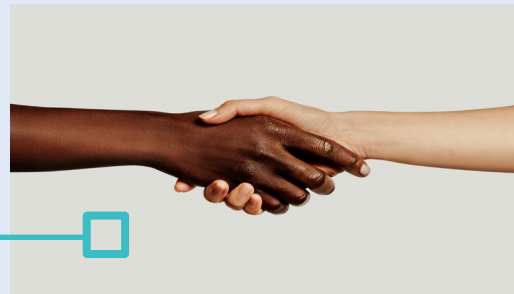
Apportionment?

- Absolutely for commercial vehicles.
- What about passenger vehicles?



Uniform approach to definitions, weight classes, methodology of tax collection?

- Industry and government does not want to return to the days before IFTA.
- Uniformity requires cooperative agreement among all 50 states.



Clearinghouse

- Data repository to collect all the reporting information and determine net amounts owed each jurisdiction.
- Portal for enforcement and audit. Confidentiality.
- Facilitate the funds collection and distribution.

What else?

- Audit Requirements.
- Peer reviews.
- Facilitation of membership voting on changes to governing documents.
- Dispute resolution
- Training, standing committees, daily operations.

Some challenges over the last 40 years on the road to uniformity...

- Requiring 48 states and 10 Canadian provinces to change their statutes to conform with the IFTA and reference the IFTA so as we evolved and changed, state statutes also changed.
- Obtaining compromises among different political, cultural, and ideological philosophies between jurisdictions in order to reach uniformity.
- Obtaining uniformity in key areas but still respecting state sovereignty.
- Building trust among jurisdictions (compliance, audit, enforcement, allocation of resources).
- As technology, processes, and the environment we operate in evolves, obtaining the necessary votes to change the governing documents.



Utilizing the IFTA Platform to help facilitate that transition from fuel tax to RUC

- Utilize our agreement to incorporate RUC language and the “Statute” for a uniform approach rather than have 50 different laws or start from scratch with a new cooperative agreement.
- Let IFTA, Inc. bring their membership together (states and provinces) to work toward one uniform approach.
- Why reinvent the wheel?
- We have the processes already in place:
 - Process to maintain and change the governing documents.
 - Processes to collect data and provide “Settlement Reports” to each jurisdiction every month.
 - Process to collect the amounts owed and distribute the amounts owed to jurisdictions.
 - Process to facilitate peer reviews and report out to jurisdictions.
 - Process to facilitate disputes.
 - Process in place to govern with standing committees, board of directors, IFTA, Inc. team.



Other considerations for the RUC community?



- First decide whether **apportionment** is important?
- National Study Group – **includes both commercial and passenger.**
- It will not be just about federal taxes and VMT transition; it will have to **include states** and the **federal government cannot mandate** state taxes so will need to bring states together with uniform approach.
- IFTA has evolved over 40 years. **Why start from scratch?**
- Changes needed can be incorporated into the **IFTA Agreement** rather than each state statute.
- **Commercial transition may occur first?** If so, IFTA Agreement will make that easier to implement.

Recent developments



Indiana



Alt Fuels
Committee



Ballot 2-2022

QUESTIONS?

