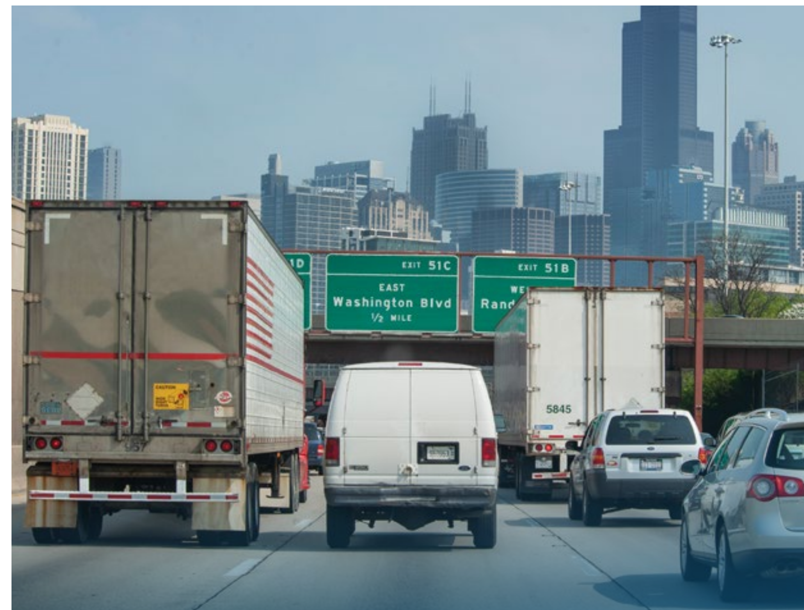
J. J. Keller® ENCOMPASS®

TOP IFTA & IRP FAQS

THE STARTING LINE

Motor carriers are regularly confused by the **International Registration Plan (IRP)** and **International Fuel Tax Agreement (IFTA)**.

The programs affect interstate carriers that operate in the lower 48 United States and Canadian provinces. Each state or province operates as its jurisdiction. IRP and IFTA both apply to the same kinds of vehicles, but as is often the case with regulations, there are some exceptions.



The most fundamental difference between IRP and IFTA is:

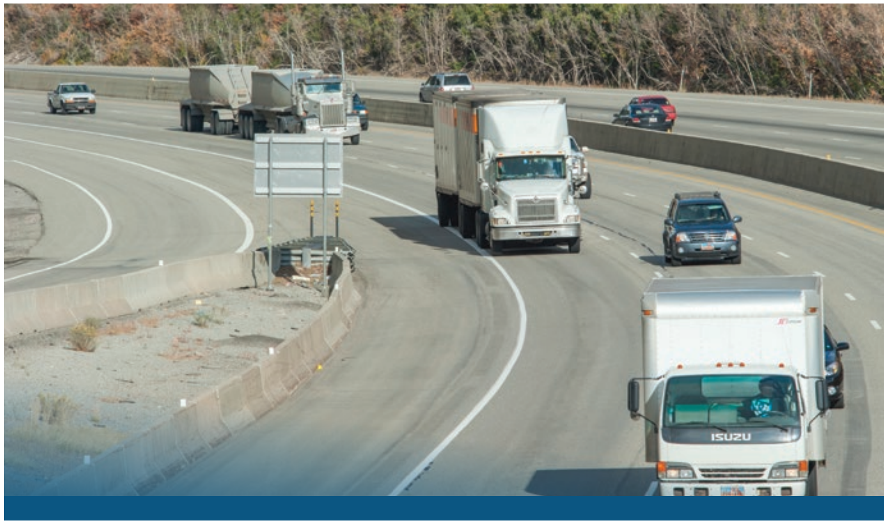
- **IRP refers to license plates or vehicle registration;**
- **IFTA refers to fuel tax reports that member carriers must file with their base jurisdictions.**

Participation in these programs often causes carriers to wonder if IFTA and IRP membership relieves them from paying the heavy vehicle use tax (HVUT) and participating in the Unified Carrier Registration (UCR). With all the programs connected in some way, there's plenty of confusion.

Additionally, both IFTA and IRP involve an extensive amount of recordkeeping, **including new rules effective January 1, 2024**. We're talking years of preserving fuel receipts and mileage data to satisfy the requirements of both programs.

Let's take a look at some of the most common questions about IFTA and IRP that we receive from our customers.

1 Does my vehicle need IFTA & IRP?



Vehicles that qualify for IRP and IFTA share the same characteristics. The vehicle needs to meet one of the following criteria:

- Has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds;
- Has three or more axles regardless of the weight of the power unit; or
- Is used in combination with a trailer and the weight of such combination exceeds 26,000 pounds gross vehicle weight or registered gross vehicle weight.

2 I rarely leave my jurisdiction. Is it cheaper to apportion or buy trip permits?

Trip permits for IRP and IFTA help carriers avoid extensive recordkeeping and remove the possibility of a jurisdictional audit of IFTA and IRP records. But a downside to using trip permits is that some states will limit their use during the year.

A simple rule of thumb for carriers is that with five or more trips across state lines, apportioning plates and registering with IFTA will typically be the best option. Carriers that cross state lines less than five times in a year are probably better off using trip permits.

3 Should I register my vehicle with IRP if it weighs less than 26,000 pounds?

For carriers with trucks between 10,001 and 26,000 pounds, a carrier can get confused as to whether these vehicles should be "apportioned" or registered with IRP. When trucks or combinations have two axles on the power unit and are at or under 26,000 pounds gross weight or registered gross weight, IFTA does not apply under any circumstance.

But for carriers deciding on whether to apportion plates, the question becomes a bit more complicated.

Why would carriers chose to apportion if they don't have to?

It's a valid question, and the answer comes down to state-by-state rules.

Some jurisdictions – but not all – require trip permits or apportioned plates to operate these vehicles. Permits may be required for traveling through the jurisdiction or when engaging in intrastate transportation. Carriers should check with the jurisdictions in which they operate to learn the requirements.

When deciding whether to apportion, carriers must measure the frequency of operation in those states, and then weigh the cost of purchasing trip permits against apportioning. If the trips are infrequent, then trip permits are the best option. If carriers are frequently traveling to other jurisdictions, it's probably best to apportion.

4 I heard recordkeeping requirements are changing on January 1, 2024. What's changing?

Beginning January 1, 2024, new rules under both programs apply to distance records produced by vehicle tracking systems, including:

- Electronic logging devices (ELDs), and
- Global positioning systems (GPS).

Carriers must stay up to date with these changes, since mileage records must contain specific elements to be considered adequate in an audit.

The new rules specify a minimum frequency for pings. This means that when the vehicle's engine is on, vehicle tracking systems that utilize latitudes and longitudes must now create and maintain a record at a minimum of:

- every 15 minutes to comply with IRP requirements, and
- every 10 minutes to comply with IFTA requirements.

In addition, the mileage data must contain the following elements:

- Vehicle identification number or vehicle unit number,
- The date and time of each system reading,
- The latitude and longitude to a minimum of 4 decimal places of each system reading, and
- 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 hubometer for the trip will be acceptable.

Electronic file format has also been specified. The data must be accessible in an electronic spreadsheet format such as XLS, XLSX, CSV, or Delimited text file. Formats from a vehicle tracking system that provide a static image, such as PDF, JPEG, PNG, or Word, are not considered accessible for the purposes of verifying distances.

The bottom line: Carriers using ELDs and GPS for distance tracking should review their recordkeeping practices and communicate with their service providers to ensure the new standards are in place on January 1, 2024.

5 How are IRP fees calculated?

Carriers pay IRP fees based on the percentage of distance operated in each jurisdiction. Essentially, carriers are not responsible for full-fee plating in each state where they operate. They are only responsible for the percentage of the registration based on mileage traveled.

6 Can I carry proof of my IRP and IFTA registrations electronically?

As of January 1, 2019, IRP cab cards and IFTA licenses are allowed in electronic format. Drivers were asked to carry PDF versions of the electronic cards and licenses as well as paper versions for up to a year during the transition in case of connectivity problems with law enforcement.

7 Do I have to file for HVUT if I'm already filing for IFTA and IRP?

Yes. HVUT, or the heavy vehicle use tax, is a federal tax and differs from IFTA and IRP.

The HVUT applies to interstate and intrastate vehicles with a taxable gross weight of 55,000 pounds or more. To register a vehicle with IRP, proof of HVUT payment is required. Carriers use Form 2290 to file HVUT with the Internal Revenue Service (IRS).

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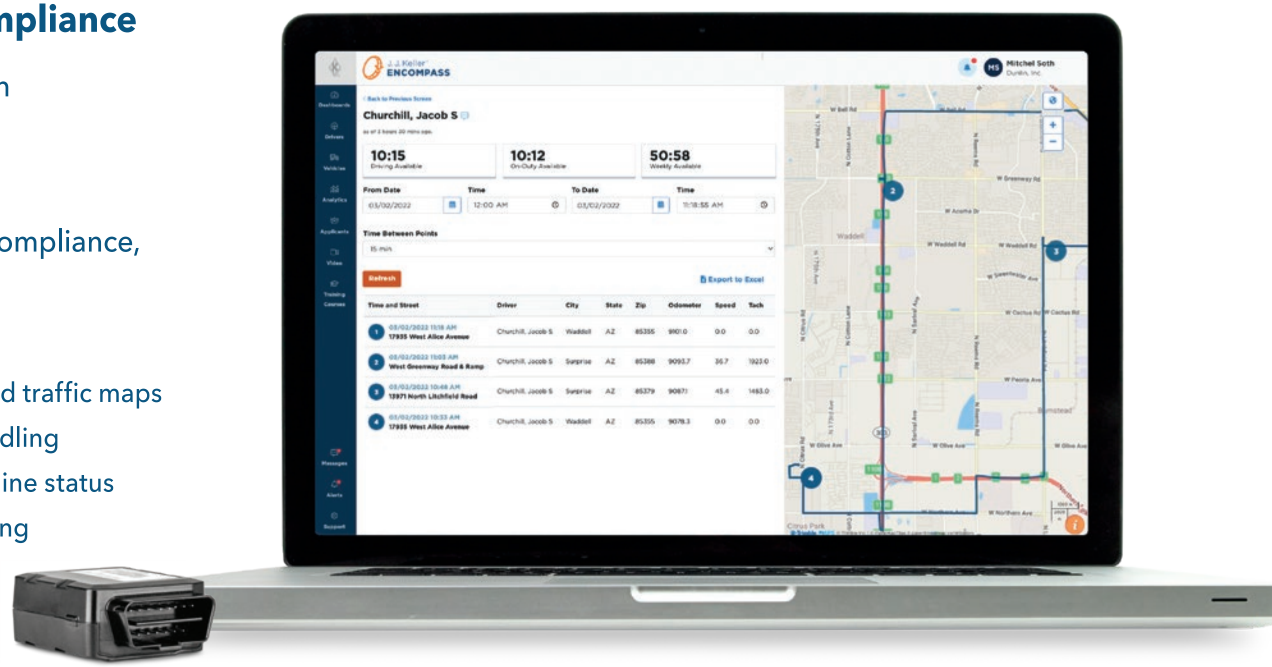

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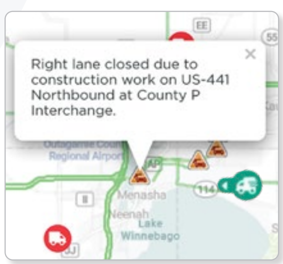

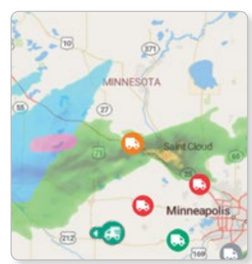

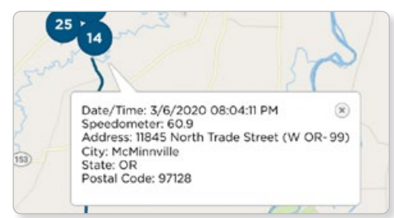

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8 How long do I have to retain my records for IFTA and IRP?

IFTA and IRP might offer the luxury of dealing with only one jurisdiction to pay registration fees and fuel taxes, but it comes at a price. The level of recordkeeping required for IFTA and IRP is extraordinary, and diligence is required to maintain the necessary documents.

Don't confuse IFTA and IRP record retention with the recordkeeping required for hours-of-service (HOS) documents, which need to be retained for only six months. Some electronic logging devices (ELD) on the market are capable of recording both IFTA and IRP mileage data as well as HOS. It's up to carriers to ensure their devices can track the data needed.

For IRP compliance, carriers must keep their mileage records, including monthly and quarterly summaries, for up to 6½ years. Carriers need to keep mileage records three years from the close of the registration year in which the records were used to obtain registration. In some instances, that could mean more than six years' worth of records.

Here's an example of how IRP arrives at that amount of time.

Let's say registration started in September 2017. The reporting year for this registration was July 1, 2015 to June 30, 2016. This means the distance records from this period were used to obtain the registration in September. IRP records must also be kept for three years after the close of the registration year, which would be August 2018, extending the retention requirement to September 2021.

This means that records generated in July 2015 need to be kept until September 2021 – more than six years. While the actual recordkeeping time is six years and three months, keeping records 6½ years ensures that everything is covered.

IFTA's recordkeeping requirements are less complex than IRP's, but still substantial. IFTA requires that records be maintained from the current year of quarterly tax returns plus the three preceding mileage years – or four years from the return due date or filing date, whichever is later, plus any time included as a result of waivers or jeopardy assessments.

9 What do I do with unused IFTA decals?

While appearing to be a simple task, the management and possession of IFTA decals creates plenty of questions and confusion. When carriers register for IFTA, each vehicle receives two decals that are to be placed on each side of the cab. Jurisdictions take great care to ensure that unused decals are not used illegally, which is why they are a central focus of auditors. If decals are missing or unaccounted for, auditors will issue assessments to carriers.

Carriers do not need to remove decals off a junked or sold vehicle but should document how they were used. If decals are lost due to crashes, weather conditions, or stolen, carriers can contact their jurisdictions for additional decals.

In some jurisdictions, carriers can sometimes order extra decals. It's important to keep decals in a safe place along with other IFTA records because auditors will want to see them. If the extra decals aren't used, they should not be discarded as the jurisdiction keeps a record of decals issued, and will want a carrier to account for them during an audit. A best practice is to use an inventory sheet to keep track of their use. This makes it easier to produce how the decals are allocated, in the case of an audit.

10 Who is responsible for IRP and IFTA under leasing agreements?

IFTA and IRP treat lease agreements differently. IRP allows the responsibility to reside with either party – the owner-operator or the motor carrier. The written lease agreement must specify which party will be the registrant.

With IFTA, the length of the lease is the deciding factor in responsibility. When the lease is long-term (30 days or more), either the owner-operator or the motor carrier can take responsibility. If liability and responsibility for IFTA are not specified in the lease agreement, the vehicle operator will be liable. In short-term leases (29 days or less), the owner-operator takes on IFTA responsibility.

11 What records do I need to keep?

When it comes to electronic vehicle tracking/GPS recordkeeping requirements, IFTA and IRP are virtually identical.

Mileage Requirements through 12/31/23

- Original GPS or other location data for the vehicle to which the records pertain
- Date and time of GPS readings
- Location of each GPS or system reading
- Beginning and ending distance readings from the odometer, hubodometer, or similar device
- Calculated distance between each GPS or other system reading
- Route of the vehicle's travel
- Total distance traveled by the vehicle
- Distance traveled in each jurisdiction
- Vehicle Identification Number (VIN)

Mileage Requirements Effective 1/1/2024

- Meet requirements for minimum system readings (pings)*
- Vehicle identification number or vehicle unit number
- The date and time of each system reading
- The latitude and longitude to a minimum of 4 decimal places 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 hubometer for the trip will be acceptable.

*See page 5 for more details

Bulk Fuel Purchase Requirements

For bulk fuel purchases, carriers must consider whether fuel taxes were paid at the time of the purchase. If taxes were paid when the fuel was purchased, fuel tax credits for those gallons can be claimed on the quarterly returns at the time the fuel was placed into an IFTA-qualified vehicle.

- Date of withdrawal from the bulk tank
- Number of gallons withdrawn
- Fuel type
- Unit number or other details identifying the vehicle
- Purchase and inventory

Another part of the recordkeeping aspect of IFTA involves the use of fuel cards. As their popularity increases, fuel cards an acceptable form of fuel receipts – provided all the required information is included.

Fuel Receipts Requirements

IFTA requires carriers to provide proof of fuel purchases in the form of receipts from the site of purchase. It is vital that the information listed here is provided on the receipt. Any missing information can raise a red flag for auditors. They also look at receipts to ensure that information is not tampered with in any way.

- Date of purchase
- Seller's name and address
- Number of gallons purchased
- Total amount of sale
- Purchaser's name and address
- Fuel type
- Vehicle number

Carriers and drivers are not supposed to write on fuel receipts because it can be perceived as tampering, but sometimes drivers must show proof that a receipt belongs to a certain vehicle. In these instances, if a driver can't obtain this information on a receipt or another document, he or she may need to write additional information on the receipt. In this case, drivers should add the information away from the sale information. As long as the receipts do not appear to have been tampered with, auditors will accept copies.

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12 Why am I being audited?

Since states and provinces are mandated to audit 3 percent of their registrants annually, there is a chance that carriers could be randomly selected for an audit at some point.

Auditors will also come calling if the jurisdiction finds red flags. While audits are a jurisdictional source of revenue, an auditor won't knock on doors just to collect money.

Examples of actions that could trigger an audit include:

- Late returns
- Missing information/data
- An amended return
- Fluctuations in miles and fuel mpg
- Higher refunds than anticipated
- High MPG reported

13 What if there are gaps in miles?

With so many records and receipts to keep track of over a long period, items can disappear, and sometimes there's no way to get them back. It's hardly an ideal situation, but carriers need to do whatever they can to fill those gaps.

The first step is to investigate the situation and try to recoup the missing information. Perhaps someone missed a trip to the maintenance shop or forgot to record a yard move or two. These small movements, if added up over time, can lead to difficulties when trying to piece together the information.

Since mileage records are such an essential part of IFTA and IRP, have a plan in place to review records regularly to avoid significant problems with gaps in miles. If all possibilities to remedy a missing file have been exhausted, the best approach is to be upfront and honest with auditors. They may grant some leniency in the situation.

14 What miles must I count for IFTA and IRP?

The answer is simple: all of them.

Drivers must know that all miles for IFTA-qualified vehicles and IRP-apportioned vehicles must be recorded. This includes miles accumulated due to personal use, vehicle repairs, and yard moves.

Some mileage exceptions exist for fuel tax purposes, but those miles must still be recorded. For example, miles accumulated on the Massachusetts turnpike are exempt from IFTA taxes. Other exceptions include off-highway or agricultural and forestry miles, but the exceptions are jurisdiction-specific. Carriers who think they're eligible for exemptions should consult with the jurisdiction prior to claiming the exemption.

15 Is it OK to have multiple IFTA and IRP accounts?

Companies consolidate and are bought and sold all the time. Their vehicles are kept all over the United States or Canada, and sometimes those companies accumulate multiple IFTA and IRP accounts. When this happens, it may seem easier to keep them separate and operating as if nothing has changed.

While keeping multiple accounts isn't specifically prohibited, it does increase the chance of being audited. IFTA and IRP jurisdictions are required to audit at least 3 percent of their carriers each year, so a carrier's risk of being selected increases since they are part of multiple audit pools. For example, just because Ohio selects a company for an audit doesn't mean that Iowa will let the same company off the hook. Unless a company enjoys the auditing process, it's best to operate under one account each for IFTA and IRP.

And of course, the point of the program is to work with one jurisdiction for both programs. Having multiple accounts defeats the purpose of the programs.

16 How are fuel taxes calculated?

When paying IFTA, each fleet's vehicle miles and fuel must be reported to the base jurisdiction.

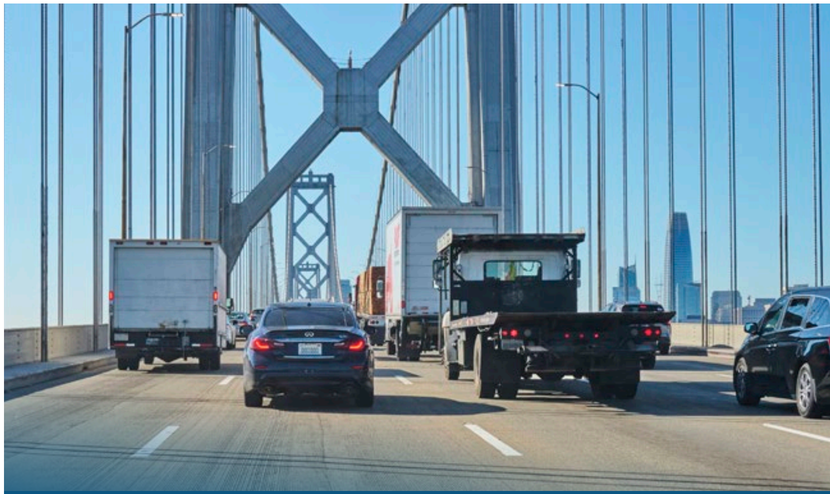
Carriers are determining how much fuel tax they owe by:

1. Recording total miles traveled in each jurisdiction and total gallons of fuel purchased in each jurisdiction to determine the fleet miles-per-gallon (MPG);
2. Compiling mileage in each jurisdiction for the entire quarter;
3. Calculating total gallons used in each jurisdiction during the quarter (miles divided by the MPG);
4. Subtracting from the total gallons burned in each jurisdiction in Step 3 to determine "net" taxable gallons (if fuel was purchased in a jurisdiction); then
5. Multiplying the net taxable gallons total by the tax rate in each jurisdiction to learn the amount owed or the amount to be credited on the IFTA return.

If more fuel is purchased than consumed in a jurisdiction, the carrier will have credit on the return for that jurisdiction. If less fuel is purchased than consumed in a jurisdiction, tax is owed. The credits and debits are calculated and summed on the return, so carriers have only one payment to make to – or one credit to receive from – their base jurisdiction.

Some states cost more to operate in than others. Like with IRP and registration fees per state, each state has a different fuel tax rate. So, taxes can change greatly depending on the states of travel.

17 Do I have to file for UCR if I'm already filing for IFTA and IRP?



Like HVUT, the Unified Carrier Registration (UCR) is a separate program from IFTA and IRP. Registering with IFTA and IRP does not absolve carriers of filing for UCR.

While all three are interstate programs, UCR focuses on the size of the fleet. IFTA and IRP registration is based on the size of the vehicles in the fleet.

For UCR, carriers pay their registration fee based on the number of interstate vehicles. Carriers could pay as little as $60 if they have two vehicles to register, or as much as $60,000 if the have more than 1,000 vehicles that are considered interstate vehicles.

IN CONCLUSION

IFTA and IRP require drivers and carriers to remain diligent about keeping track of their fuel receipts and maintaining their records. But a key theme to remember about both programs is convenience. By their nature, IFTA and IRP are designed with the carrier in mind. The programs allow carriers to register with one jurisdiction – their base jurisdiction – to funnel all tax filings and annual registration fees through one source. Imagine all the confusion and additional paperwork that's avoided by only having to deal with one jurisdiction. While IFTA and IRP will always be closely linked together, it's important for carriers to know the differences in each program so that ongoing vehicle compliance in the areas of registration and fuel tax goes smoothly.

Corrina Peterson

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J. J. Keller & Associates, Inc.

Corrina joined J. J. Keller & Associates, Inc. in 2021, bringing over 20 years of experience in regulatory compliance and best practices in workplace safety, environmental compliance, and hazardous materials.

Corrina most often supports our customers with the operations side of their businesses. She helps them stay compliant with fuel taxes, fleet taxes, vehicle registration, and trip permitting, including state requirements. She also has experience with the hazmat regulations. Despite the complexity of hazmat regulations, Corrina's experience and ability to simplify difficult concepts helps put our customers at ease with the topic.

Corrina also keeps up with the environmental impacts of transportation. Her expertise and commitment make her an invaluable asset to the J. J. Keller editorial team.