



TRANSLOAD ACTIVITIES Points to Consider Relative to Fuel Tax Administration (2020)

When proposing changes to existing motor vehicle fuels and/or accountable products, taxing authorities must decide what the effect will be upon existing taxpayers and any new taxpayers. Just adding a licensee required to file an informational return will increase the licensee base and will require additional cross checking to verify accuracy of reports. Taxing authorities must also decide where the tax will be collected on accountable products. When considering taxpayer options, the option chosen determines who and how many taxpayers a taxing jurisdiction will have.

Effective licensing and bonding of motor fuel taxpayers helps ensure financial responsibility and protects the millions of dollars of tax liability with which licensees are entrusted each month. Taxpayers are likely to become more trustworthy and reliable when the licensing body performs thorough background checks on potential licensees and requires surety for tax liabilities. These measures will help identify potential tax evaders and places the necessary safeguards on entities that are licensed.

Information on product movement and transactions provide the records necessary to determine the amount of taxes due. Reporting inadequacies and delays provides opportunities for motor fuel tax evasion to go undetected long enough to be successful. The reporting, tax payment and verification processes are vital to a strong tax department.

Requiring prompt reporting improves the tracking process and can help identify companies that have not been licensed or have not remitted tax. The use of transporter returns, terminal operator returns and other informational returns can be vital in tracking reportable product.

Tracking fuel transported via railcars can be difficult. The fuel may be delivered to a transloading facility where it is either off loaded into on site storage tanks, into a pipeline that feeds a nearby terminal, or into trucks that deliver to the customer. This point is where the audit trail usually ends.

Things to consider:

- FTA has defined these three words: **Transloader** is equipment used to transfer product from one mode of transportation to another.
- **Transloading** is the process of transferring product from one mode of transportation to another.
- **Transloader Operator:** Person that engages in the process of transferring product from one mode of transportation to another.

Define your potential licensee. What is a transload facility in your state? Is it a facility with storage or just rail access? How does it differ from other licensees? Be mindful that some transloading occurs using portable meters. Would you want these transloaders licensed?



What reportable activity do you want? What reports will you want from this facility? States should also consider that fuel can be transloaded from rail transportation to bulk storage that will later be dispensed into transport vehicles.

Will the transload facility need to be licensed or just registered to conduct motor fuel activity in your state? Do you know who the owner and the operator are for all transload facilities in your state?

Does this facility already have a Federal Facility Control Number?

Who do you want to report? Most transload facilities act similarly to a terminal in that they receive and disburse product for hire. Some transload facilities maintain inventory outside a railcar for their inventory holders. Some transload facilities do not consider any product inside a railcar inventory – they simply remove the product using some type of a metered pump and place the product into a truck or a pipeline. All transload facilities can track incoming product by railcar number and outgoing product by bill of lading. In the example of a transload facility that off loads into storage tanks, the inventory on hand cannot be traced back to the individual cars but each receipt is logged by inventory holder. Total gallons in inventory can be accounted for by individual inventory holder.

Transload facilities are not IRS terminals. All product received by them is received outside the terminal transfer system. All imports of taxable products would be taxable because they are imported outside the terminal transfer system. Transload facilities could potentially receive and disburse non –tax paid product. No movement would be reported on ExSTARS because it is outside the terminal transfer system.

Product may be transported by shortline railroads – most are not licensed as transporters (but should be).

Even if the carrier (railroad) reports the movement of product into your state, the document number may not be a bill of lading number making it difficult to reconcile the movement back to the supplier or importer.

Shipping dates and delivery dates are often weeks apart making cross matching by date impossible.

Requiring transload facilities to be licensed as a transporter or terminal operator may be best solution. Once licensed they can be required to submit informational returns.

States should also review the Transloader Operator Report data elements in the Uniformity Guide.