



Excise 10

Colorado - IFTA and IRP Recordkeeping and Audit Information

GENERAL INFORMATION

If you are a commercial carrier operating under the terms of your Colorado International Fuel Tax Agreement (IFTA) license and your vehicles are registered using the International Registration Plan (IRP), you are required to keep and maintain certain operating records. These records are necessary to prepare the quarterly IFTA fuel tax return and to determine the proper total distance traveled and the percentage of distance traveled in each jurisdiction.

The IFTA requires records to be maintained for a period of four years from the due date of the IFTA tax return or the date the return was filed, whichever is later. The IRP requires that mileage records be kept for four and one-half years on each qualified motor vehicle. These records may be maintained on paper, microfilm/microfiche, digital imaging or other means of storage that have been approved, in writing, by the Colorado Department of Revenue.

These records must be made available upon request by the department.

The IFTA and IRP recordkeeping requirements are similar, but with some differences. Minimal requirements for acceptable source documents are provided in this publication.

Location of Records

Your records should be maintained in Colorado. If your operational records are not located or made available in the state and our auditors need to travel to the location where they are kept, you may be required to pay reasonable daily expenses (such as meals and lodging) and travel expenses for the audit staff.

Distance/Mileage Records

As a Colorado IFTA/IRP licensee, you must maintain complete records of your qualified motor vehicles' interstate and intrastate operations. The Individual Vehicle Distance Records (IVDR) (DR 0735), that is required by the IRP is an acceptable source document for recording vehicle distance information. This may be obtained on the Taxation Web site at www.TaxColorado.com. Another acceptable source document is a trip report, provided it includes all of the following information:

1. Vehicle designation (VIN or unit number of the power unit).
2. Fleet number (IRP requirement only).
3. Fuel type.
4. Name (fuel filer and/or registrant).
5. Driver's name and/or signature (IRP requirement only).
6. Starting and ending trip dates.
7. Trip origin and destination.
8. Travel route (list highways at jurisdictional borders).
9. Jurisdiction (two-letter abbreviation).
10. Mileage by jurisdiction (developed from odometer or hubodometer readings at each jurisdictional border).
11. IFTA mileage designation (taxable and tax exempt).
12. Beginning and ending odometer readings.

You may also choose to use on-board recording devices to generate your distance records. Such device must meet the requirements outlined in the IFTA Audit Procedures Manual and the IRP Audit Procedures Manual.

The IVDRs provide the basis for the reported jurisdiction and fleet distance. The information recorded on the IVDRs must be accurate, complete, legible, and verifiable. If the jurisdiction and fleet distance cannot be accurately determined due to the absence or inadequacy of information on the IVDRs, the IFTA/IRP licensee may be required to reconstruct the records or provide additional documentation to substantiate the reported distance. Failure to maintain or provide the requested IVDRs for audit provides grounds for the assessment of 100% Colorado fees, plus applicable interest and penalties.

The total miles reported on the IFTA fuel tax return must include taxable and tax-exempt mileage. Mileage that is exempt from taxation varies from jurisdiction to jurisdiction. Licensees can obtain exempt mileage information on the IFTA, Inc. Web site at www.iftach.org or by contacting the individual jurisdictions.

IFTA Fuel Purchase Requirements

The IFTA licensee must maintain complete records of all fuel purchases. Separate totals must be compiled for each fuel type, by jurisdiction. Fuel types include diesel, gasoline, gasohol, liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG), alcohol fuels (ethanol, methanol, E-85 and M-85) and any other fuel you use to propel your vehicle.

You must have adequate records to support the tax-paid credit claimed on your quarterly IFTA fuel tax return. A receipt or invoice, credit card receipt, or microfilm/microfiche of the receipt or invoice must be retained in your records showing evidence of such purchases and tax having been paid. If tax-paid documentation is unavailable, all claims for tax-paid fuel will be disallowed. The fuel records shall contain all of the following information:

1. Date of each receipt of fuel.
2. Name and address of the person selling the fuel.
3. Number of gallons received.
4. Type of fuel purchased.
5. Vehicle or equipment into which the fuel was placed.
6. Price per gallon or total gallons received (number of tax-paid gallons of fuel loaded in each jurisdiction).
7. Purchaser's name. (In the case of a lessee/lessor agreement, receipts will be accepted in either name, provided a legal connection can be made to the reporting party).

Fuel receipts that do not meet the above requirements may be disallowed as tax-paid credits in an audit. Additionally, the department will not accept altered or erased receipts to support a claim of tax paid purchases.

Bulk Fuel Storage

If you maintain a bulk fuel storage facility, you may obtain credit for tax paid on fuel withdrawn from that storage facility and used in your qualified motor vehicles, provided you maintain the following records:

1. Date of withdrawal.
2. Number of gallons.
3. Fuel type.
4. Unit number of the vehicle into which the fuel was placed.
5. Purchase and inventory records to substantiate that tax(es) were paid on all bulk purchases.

Distance/Mileage and Fuel Summaries

Distance/mileage and fuel summaries, for audit purposes, must be supported by source documents. From the information recorded on the IVDRs, you must prepare and maintain a monthly summary to recap the total distance traveled by each apportioned power unit in each jurisdiction during the calendar month by fleet, by jurisdiction, and by equipment number. The Monthly Fleet Mileage and Fuel Summary (DR 0734) is available on the Taxation Web site, www.TaxColorado.com. The monthly summary supports the quarterly and yearly summaries. The IRP requires summarization on a monthly and quarterly basis. The IFTA requires a monthly fleet summary for all qualified motor vehicles.

Acceptable daily vehicle mileage and fuel report (IVDR) and monthly fleet mileage and fuel summary documents are available on the Taxation Web site, www.TaxColorado.com. These forms are offered as a suggestion only. Company forms containing the same information may be used.

Fuel Used for Exempt Purposes

Colorado allows a fuel tax exemption when the fuel is used for exempt purposes such as refrigeration units. IFTA carriers can apply for a refund of the Colorado fuel tax paid when the fuel is used for exempt purposes. To apply for a refund, contact the department for a fuel tax refund account. See FYI Excise 7, Tax Refunds for Exempt Use of Fuel.

Audits

The Field Audit Section (FAS) will audit at least three percent of Colorado IFTA/IRP licensees each year. Any licensee may be selected for audit. Colorado law generally allows the Field Audit Section to audit your account for a period of three years.

If you are selected for an audit, the auditor will contact you in advance to arrange an acceptable date to begin the audit. At that time, the auditor will outline the time period to be covered by the audit and the records that will be reviewed.

The auditor will meet with you to determine background information about your operations, examine the internal controls of your reporting system, and select records to be reviewed. The auditor will discuss sample periods, sampling techniques and any problem areas. A final conference will be held with you to explain any proposed adjustments to tax. Determinations or adjustments may be issued for any reporting period covered by the audit. The auditor may make suggestions regarding your future reporting practices.

Audit Results

You are entitled to request and receive copies of the audit working papers, which normally include schedules that document the tests and examination procedures used in the audit. The audit working papers also include the auditor's narrative comments describing your records, explaining the purposes of the tests conducted, and interpreting the findings of those tests.

If your records are unacceptable for audit purposes, the auditor may determine your liability. The auditor may:

- Estimate the number of gallons you used based on your driving history or by comparing your operations to similar operations.
- Use a standard of 4.0 miles per gallon.
- Not allow any claims for tax-paid fuel without supporting documentation.
- May assess 100% Colorado fees, plus applicable interest and penalties.

The IFTA/IRP licensee has the burden of proving that your records and statements are correct.

Upon completion of the audit, you will be sent an audit report. If the audit resulted in additional tax due, the department will send you a billing, called a Notice of Determination. You have 30 days from the date of the notice to pay the amount due or to file a protest. Instructions to file a protest are found on the reverse side of the Notice of Determination or on the Taxation Web site, www.TaxColorado.com. If the audit resulted in a refund, we will issue you a check after payment of any other outstanding amounts you may owe.

We will provide a copy of the audit report to all member jurisdictions. Any member jurisdiction may choose to reexamine the audit findings. In addition, a member jurisdiction may choose to re-audit your account at its own expense, after notifying you and us of the reasonable cause for the re-audit.

Other Information and Forms

- International Fuel Tax Association, Inc. www.iftach.org
- International Registration Plan, Inc. www.irponline.org
- DR 0734, Monthly Fleet Mileage and Fuel Summary
- DR 0735, Individual Vehicle Distance Record

The forms listed above may be found on the Taxation Web site, www.TaxColorado.com.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed, and/or approved these FYIs.