

STATE of INDIANA



INDIANAPOLIS, IN 46241-9612

DEPARTMENT OF REVENUE

MOTOR CARRIER SERVICES DIVISION
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TO: IFTA, Inc.
IFTA Member Jurisdictions and Licensees

FROM: Indiana Department of Revenue

RE: Indiana Fuel Taxation Changes

DATE: August 15th, 2017

I. Introduction

During the 2017 legislative session, Indiana's General Assembly enacted a series of changes to Indiana's motor carrier fuel taxation laws. As it relates to IFTA, the General Assembly created a second collection point for Indiana's Surcharge Tax by requiring suppliers/distributors to collect the Surcharge Tax from the retailers to which "Special Fuel" is sold. Therefore, as of July 1st, 2017, the Surcharge Tax is now included in the price at Indiana pumps, but only for "Special Fuels" (which includes diesel, biodiesel, CNG, and LNG).

Due to these changes, Indiana and Lonette Turner of IFTA, Inc., have worked together to determine a methodology for IFTA licensees to report fuel consumption in a way that will allow for the accurate calculation of any tax due and owing. This methodology will hopefully allow IFTA member jurisdictions to implement and process the fuel tax changes made by our General Assembly without necessitating any significant IT systems changes.

Accordingly, this memo provides a high-level overview of Indiana's legislative changes and explains the changes to the rates listed in the IFTA tax rate matrix.

II. Overview of Legislative Changes

As noted, Indiana's General Assembly effectively created a second collection point for the Surcharge Tax by requiring suppliers/distributors to collect the Surcharge Tax from the retailers to which "Special Fuel" is sold.¹ As a result, motor carriers will be allowed a tax-paid credit on their quarterly fuel tax returns for Surcharge Tax paid at Indiana pumps for diesel, biodiesel, CNG, and LNG. Therefore, in the case of Special Fuels, to the extent that "Special Fuel consumed in Indiana" exceeds "Special Fuel purchased in Indiana" for an interstate carrier, such a carrier would remit any additional Surcharge Tax due with its quarterly fuel tax return. Conversely, if "Special Fuel consumed in Indiana" is less than "Special Fuel purchased in Indiana," a motor carrier would be entitled to a refund of the overpaid Surcharge Tax.

However, the collection of the Surcharge Tax on the consumption of Gasoline and Propane is still done entirely through a carrier's quarterly fuel tax return. This means that the collection point of the Surcharge Tax is not

¹ Ind. Code § 6-6-4.1-4.5(a).

consistent across fuel types, which results in the availability of a tax-paid credit for only “Special Fuels” when a quarterly return is completed.

No changes were made to the collection point(s) for Indiana’s Motor Carrier Fuel Tax (“MCFT”), meaning that the availability of a tax-paid credit against a licensee’s MCFT liability remains unchanged.

The following chart indicates whether a like-kind tax-paid credit is available for each fuel type and each tax:

Tax	Rate	Gasoline	Special Fuels	Propane
MCFT	\$ 0.26 / gallon	Tax-Paid Credit	Tax-Paid Credit	No Tax-Paid Credit
Surcharge Tax	\$ 0.21 / gallon	No Tax-Paid Credit	Tax-Paid Credit	No Tax-Paid Credit

III. Rate Changes on IFTA Matrix

Currently, member jurisdictions provide two lines for Indiana on the quarterly return. The calculation for the first line is programmed to allow for a tax-paid credit when calculating a licensee’s tax liability, while the second line is not programmed to factor in such a credit. Therefore, in an effort to simplify reporting and reduce complications, the rates for all taxes and fuel types for which there is a tax-paid credit will be combined on the first line, while the second line will combine the rates for the taxes and fuel types for which there is no such credit afforded. Accordingly, the IFTA rate matrix will reflect the following rates (which will be driven by how the fuel type is classified under Indiana’s Tax Code):

	Gasoline	Special Fuels	Propane
Line 1 – Indiana (IN)	\$ 0.26 / gallon	\$ 0.47 / gallon	n/a
Line 2 – Indiana (IN) (<i>Surcharge</i>)	\$ 0.21 / gallon	n/a	\$ 0.47 / gallon

By combining the tax rates as set forth above, this will ensure that the calculations of a carrier’s MCFT and Surcharge Tax liabilities properly account for the applicability of any tax-paid credits for fuel purchased at Indiana pumps.

IV. Conclusion

In light of the IFTA framework and the changes that were made to Indiana’s fuel taxation laws, the Department expects that there may be questions or concerns even after the review of this document. Thus, to the extent that any jurisdiction or motor carrier has any questions or concerns, please do not hesitate to contact the Department at the email and/or phone number listed below.

Thank you,

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