

761—505.5(452A) Audits—required reports.

505.5(1) *Delegation to audit and examine.* Pursuant to Iowa Code sections 452A.53, 452A.55, and 452A.62, the department reserves the right to examine returns and records, perform audits and determine the correct amount of tax due.

505.5(2) *Statute of limitations.* Within three years after a return is filed, the department may audit the return to determine the accuracy of taxes paid. There is no time limitation on collection activities for any tax, penalty or interest due the department.

505.5(3) *Outstanding tax, penalty, or interest for canceled and inactive licenses.* Any outstanding taxes, penalties, or interest must be paid before reapplying for a fuel license.

505.5(4) *Audit period—records—costs.* The statute of limitations on the determination of any additional tax liability shall be three years after a return is filed; therefore, all records must be kept for four years after a return is filed.

a. For the purpose of verifying the correctness of a return filed or for estimating the tax liability of any taxpayer, the department shall:

(1) Have the right and duty to examine or cause to be examined the books, papers, records, memoranda, or documents of a taxpayer which relate in any manner to fuel taxes.

(2) Have the authority to require, at a hearing, the attendance of the taxpayer and other witness and the production of books, papers, records, memoranda or documents.

b. The cost of an audit shall be at the taxpayer's expense when the records are maintained outside the state of Iowa.

505.5(5) *Taxpayers required to keep records.* The records required to be kept by this rule shall be preserved for a period of four years after a return is filed unless otherwise stated and shall be open for examination by the department during this period of time. A licensee shall retain invoices or other proofs of purchase which meet the requirements of subrule 505.5(6). The fact that the tax has been paid shall appear on the proof of purchase.

505.5(6) *Records to be kept and preserved.*

a. Every person required to file a quarterly report under Iowa Code section 452A.54 shall keep and preserve the following records:

(1) Fuel purchase invoices or documentation of fuel withdrawn from bulk storage.

(2) Trip sheets or other documentation of mileage activity.

b. Whenever an invoice is required to be kept or prepared by Iowa Code chapter 452A or these rules, the following shall be the minimal requirements which must be complied with:

(1) It must include the seller's name and address.

(2) It must include the purchaser's name and address.

(3) It must contain a vehicle serial number, fleet unit number or vehicle license number.

(4) It must include the calendar date of purchase.

(5) It must indicate the type of fuel purchased.

(6) It must indicate the quantity of fuel purchased.

(7) It must indicate the total purchase price.

(8) If the purchase is special fuel, the fact that the fuel tax is included in the purchase price must be indicated.

c. Whenever an invoice is required to be kept under Iowa Code chapter 452A or these rules, the original or duplicate copy must be kept. If the original or duplicate copy is lost or destroyed, a copy, certified by the seller as being a true copy of the original, shall be acceptable.

d. A copy of any invoice, which is required to be kept by the purchaser, must be kept by the seller for the same period of time.

e. Credit card invoices are acceptable if they meet all the requirements listed in paragraphs 505.5(6) "b," "c," and "d" above.

505.5(7) *New licensees.* When a person is issued a new license, the department may, within one year of issuance of the license, audit the records of the new licensee for a period going back two years from the date of issuance.

505.5(8) *Nonlicense and nonpermit holders.* All persons who bring into the state a qualified motor vehicle, upon which the Iowa tax on said fuel has not been paid, are operating within the purview of these rules as stated in Iowa Code section 452A.55. They are therefore subject to audit and must keep the same records required of a fuel licensee.

505.5(9) *Interstate—intrastate operators—motor vehicle special fuel holding tanks.* If a person operates one or more qualified motor vehicles under a fuel license and also operates one or more qualified motor vehicles which are not operated under the fuel license, record keeping regarding the fuel consumed from the special holding tank may be performed in either of the following ways:

- a.* Operators of interstate vehicles shall be given an invoice that meets the standards set forth in Iowa Code section 452A.17, subsection 3, for each tank fill, and the vehicle operator must then log the mileage; or
- b.* The licensee shall report total miles driven and total fuel used from the bulk tank, including both interstate and intrastate vehicles.

This rule is intended to implement Iowa Code sections 452A.53, 452A.55, 452A.60, 452A.62, and 452A.69.