

Iowa Department of Revenue
TIME -- 21 Transportation Funding Study Committee

Monday, November 19, 2007

- I. Constitutionality Related to Road Use Tax Fund (RUTF)
- II. Motor Vehicle Use Tax Fraud
- III. Caveat on Changing Motor Vehicle Use Tax Rate
- IV. Tax Administration Issues

- I. Constitutionality Related to Road Use Tax Fund (RUTF)

- A. Article VII, Section 8

All motor vehicle registration fees and all licenses and excise taxes on motor fuel, except cost of administration, shall be used exclusively for the construction, maintenance, and supervision of the public highways exclusively within the state or for the payment of bonds issued or to be issued for the construction of such public highways and payment of interest on such bonds.

- B. Motor Vehicle Registration Fees

- C. Excise Taxes on Motor Fuel

- D. Use Tax on Motor Vehicles is Excluded

- E. Environmental Protection Charge is Excluded

- II. Motor Vehicle Use Tax Fraud

- A. Incorrect Purchase Price

- 1. System to identify incorrect amounts
 - 2. Manual process
 - 3. Up-front costs
 - 4. Return on investment

- B. Registration Outside of Iowa

- 1. Register in non sales/use tax state
 - 2. Vehicle purchased for use in Iowa

III. Caveat on Changing Motor Vehicle Use Tax Rate

A. Vehicle Use Tax – Not a Sales Tax

B. Streamlined Sales & Use Tax Project (SSTP)

C. Use Tax Exemptions

D. Separate Excise Tax

E. Registration Fee Issues

1. One time charge or over time
2. Change in registrations
3. Move in from out-of-state
4. Different rates and formulas – added complexity
5. Payment of the amount due – dealer now provides service

IV. Administrative Issues

A. Motor Fuel Tax

1. Very efficient and effective
2. Taxation point of “at the rack” or “imported”
3. Small number of businesses pay vast majority of tax
4. Electronic filing & electronic payment
5. Tax Exemptions (Refunds)
6. Single Rate

B. Motor Vehicle Use Tax

1. Change tax rate
2. Separate Excise Tax
3. Tax Exemptions
4. Different rates if move to separate excise tax – more flexibility
5. Tax collected and paid – dealer services

C. Sales Tax on Sale of Fuel

1. Current exemption in Sales/Use Tax Code
2. Create a separate excise tax
3. Allow for a lower rate or adjustable rate
4. Administrative issues – new system
5. Pre-payment of the special excise tax by suppliers & importers
 - a.) Tax may not be accurate
 - b.) Unknown system for Iowa
6. Local option fuel tax system as an alternative

D. Severance Tax on Exported Ethanol

1. Not a Severance Tax
2. Export Fee
3. No current system
4. Could be modeled after the motor fuel tax system
 - a.) Supplier or export or responsible for the fee
 - b.) Small number using electronic reporting system

Transaction Status Date From 7/1/2006 To 6/30/2007

11/16/2007

Summary of fuel tax refunds issued

Claim Type	Claim Type Description	Fuel Type	Dln Count	Claim Count	Refund Amt
21	Agricultural Production	065	848	907	\$99,190.94
21	Agricultural Production	124	227	238	\$27,710.96
21	Agricultural Production	169	132	134	\$102,952.41
31	Federal Government	065	19	19	\$258,457.31
31	Federal Government	123	4	4	\$1,085.25
31	Federal Government	124	22	22	\$33,378.69
31	Federal Government	169	19	19	\$68,426.14
32	State Government	065	64	66	\$674,042.98
32	State Government	079	19	19	\$8,050.86
32	State Government	123	1	1	\$2,109.38
32	State Government	124	149	149	\$683,251.18
32	State Government	125	13	13	\$174.80
32	State Government	130	13	13	\$2,509.08
32	State Government	169	39	39	\$257,424.24
33	Other Political Subdivision	054	15	15	\$12,562.76
33	Other Political Subdivision	065	1175	1195	\$414,147.28
33	Other Political Subdivision	079	9	9	\$297.22
33	Other Political Subdivision	123	23	23	\$3,228.48
33	Other Political Subdivision	124	2172	2202	\$2,041,560.50
33	Other Political Subdivision	125	10	10	\$1,521.59
33	Other Political Subdivision	130	7	7	\$1,084.09
33	Other Political Subdivision	169	1253	1263	\$971,985.02
36	Native American Tribe	065	16	16	\$43,570.93
36	Native American Tribe	124	16	16	\$45,649.78
36	Native American Tribe	169	16	16	\$3,794.19
41	Contract Carrier	065	10	12	\$2,775.24
41	Contract Carrier	124	6	6	\$4,768.49
41	Contract Carrier	169	16	18	\$12,215.50
53	Extract/Process Natural Deposits	065	10	10	\$1,707.85
53	Extract/Process Natural Deposits	079	1	1	\$1.51
53	Extract/Process Natural Deposits	124	1	1	\$105.66
53	Extract/Process Natural Deposits	169	8	8	\$1,381.04
54	Denaturing Alcohol	065	364	369	\$13,990,030.27
61	Reefer Unit	169	674	690	\$421,370.79
62	Pumping Credits – dry products	065	14	14	\$569.27
62	Pumping Credits – dry products	124	9	9	\$176.15
62	Pumping Credits – dry products	169	353	359	\$256,702.99

054 -- LPG
 065 -- Gasoline
 123 -- Alcohol
 124 -- Gasohol
 125 -- Aviation Gas
 130 -- Aviation Jet
 169 -- Special Fuel

63	Pumping Credits – wet products	054	3	3	\$270.98
63	Pumping Credits – wet products	065	4	4	\$42.03
63	Pumping Credits – wet products	124	9	9	\$334.25
63	Pumping Credits – wet products	169	226	228	\$80,198.11
64	Idle Time	169	379	380	\$603,970.41
65	Power Takeoff	065	6	6	\$3,224.68
65	Power Takeoff	169	20	23	\$14,001.72
66	Off Road	065	205	232	\$40,310.49
66	Off Road	124	46	46	\$8,595.05
66	Off Road	169	401	409	\$363,582.51
67	Export of Tax Paid Fuel	065	182	182	\$207,395.12
67	Export of Tax Paid Fuel	079	1	1	\$170.00
67	Export of Tax Paid Fuel	123	22	22	\$111,515.37
67	Export of Tax Paid Fuel	124	225	229	\$179,008.71
67	Export of Tax Paid Fuel	130	10	10	\$22,262.61
67	Export of Tax Paid Fuel	169	214	221	\$305,609.40
68	Ready Mix	169	194	196	\$195,380.31
69	Solid Waste	054	6	6	\$281.65
69	Solid Waste	065	1	1	\$29.07
69	Solid Waste	124	1	1	\$106.04
69	Solid Waste	169	71	73	\$98,389.12
74	Idle Time	169	3	3	\$13,787.52
81	Transport Diversions	169	1	1	\$1,642.73
91	Excess Tax Paid on Gasohol	065	3	3	\$44,014.02
91	Excess Tax Paid on Gasohol	124	14	14	\$7,933.98
Total			7019	10215	\$22,752,026.70