

Chapter 3: The Facts on Tax

Participants:

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Michael Smith: Sure, so while we are talking about fueling expenses on the road, let's move over to our next item, I think we are talking about the facts on tax. Alright, so, one expense that affects fleets more than anyone else's is taxes on fuel. And by that I mean state fuel usage taxes which are something that not a whole lot of fleets ever take a second look at. You just file all of your taxes each year and a lot of fleet operators assume that there is really nothing you can do about it. But, there are ways you can reduce that expense. Usage taxes vary a large amount from state to state and that tax is based on the state you are in when you are actually using the fuel regardless of where you purchased it. There really is nothing you can do about it. And, I will give you an example. Let's say you are driving from Georgia to Florida.

The state fuel tax in Georgia is much lower than the state fuel tax in Florida. So if you buy fuel before crossing that state line, the State of Georgia will charge you 15 cents every gallon you use there. But, Florida charges a usage tax of 31 cents per gallon. So the taxes you are being taxed for the remaining fuel, is going to outweigh the money you saved by getting the fuel in Georgia in the first place.

Benton Routh: All this tax stuff sounds tricky and in some ways it is. But what you are trying to figure out is how to use the tax system to save money on fuel rather than just spending money on taxes. The biggest savings comes from avoiding the higher taxes altogether but of course; we can't just drive into other states to try to avoid taxes so the



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important thing to keep in mind is to keep good tax records of where fuel is used so that you can maximize your fuel tax. Recoveries are minimized your fuel tax expenses. What you are trying to do also is to avoid interest and fines if you get audited. Many states are doing / raising their audit rates and it's important to have your records so that if you should get audited; you've got all the data collected in a way that's easy to reproduce for the auditors. But, it's important not to just have a system in place but to rely on the expertise of tax experts and for you, as the fleet administrator, to share with them your knowledge and understanding of the business, so you can work together to come out with real strategies to optimize and minimize tax payments and keep the records in a way that can withstand audit's scrutiny. So now I will turn it back over to Paul to talk about our next strategy.