



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Advances Crackdown on Fuel Tax Evasion

____ WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today won near-final approval of bipartisan reforms to crack down on fuel tax evasion that costs taxpayers \$1 billion a year. Jet fuel, highway diesel, and other fuels are subject to federal excise taxes to fund highway and airport infrastructure; dealers large and small often evade the taxes.

“It’s only right to shut down fuel fraud,” Grassley said. “We’re talking about millions of gallons and billions of dollars of missing fuel and missing tax dollars. This problem not only robs the U.S. Treasury, but it also robs the American taxpayer. And it’s dangerous to have large amounts of unaccounted for fuel moving around the country.”

Grassley was the lead Senate negotiator working on a House-Senate conference committee to reconcile differences between each chamber’s manufacturing tax and trade bill. Today, the conference committee is close to finishing its work. By 5 p.m., the conferees will finish voting on the final conference report. If they approve it, as expected, their action will clear the conference report for consideration in each chamber later this week. Grassley, along with Sen. Max Baucus, ranking member, secured the inclusion of a series of reforms to crack down on fuel tax evasion.

Grassley said a substantial amount of fuel fraud involves jet fuel. The jet fuel distribution system in North America is susceptible to abuse by highway fuel tax evaders at an international level. Substantially more jet fuel is produced and imported into the United States than is purchased by airlines. Jet fuel is only slightly different from ordinary diesel fuel. In many cases the two are capable of interchangeable use by aviation and highway users. Excess untaxed jet fuel is being diverted from the exempt use by aircraft to evade the tax for fuels used on highways. Several different schemes have been reported -- and many more opportunities identified. These include sophisticated schemes to exploit exemptions for foreign commerce; fuel distribution system re-description during transport; and illegal storage and distribution.

Grassley’s bipartisan reforms are designed to close off existing fuel tax evasion opportunities and support cooperative intergovernmental initiatives to anticipate and proactively adapt to changing criminal conduct in the future.

A recent example of fuel fraud came in July, when prosecutors charged 19 workers at Miami

International Airport with falsely classifying jet fuel as contaminated and then selling it on the sly, stealing 2.7 million gallons of fuel.

“That story is like something out of ‘Miami Vice.’ The allegations of widespread theft, conspiracy, and kickbacks are shocking,” Grassley said. “What’s even more shocking is that this scene is played out all over the country, probably every day. The federal taxpayers lose \$1 billion a year to fuel fraud, and probably half of that is in jet fuel fraud. Those who steal fuel aren’t paying federal excise taxes. We pay for all of our highways and airport infrastructure with fuel excise tax. That loss is unfair to honest taxpayers who have to make up the difference. In addition to the tax loss, it’s a national security risk for dangerous jet fuel to move around with no accountability.

“The bad guys seem to be getting more and more brazen. On September 11, after the nation’s planes were grounded, huge volumes of jet fuel use were reported even though no planes were flying. That raised red flags for me and other watchdogs. My committee started investigating and working with experts in the field. The result is the anti-fuel fraud provisions we have today. I hope for final approval of these provisions as soon as possible to nip the growing problem of fuel fraud in the bud.”