

## MISSISSIPPI DEPARTMENT OF TRANSPORTATION FUEL TAX ENFORCEMENT

By Wayne Rhoads

The Mississippi Highway Department was changed to the Mississippi Department of Transportation (MDOT) in 1992 by an act of the Mississippi Legislature. MDOT now includes not only highways, but also other modes of transportation such as; Rails, Ports, Aeronautics and Public Transit—making it truly multimodal. In that same legislation, weight enforcement and fuel tax enforcement became the responsibility of MDOT. The “on the road” fuel tax enforcement duties consist of spot checks on all highways and/or waterways of Mississippi for proper documentation (import notice, bill of lading, licensed distributor, etc.), dyed diesel checks and investigations of any illegal fuel being transported into the state.

In January of 2001 our Enforcement Division started stopping every fuel tanker traveling through Mississippi to fill out a brief survey and MDOT Fuel Tax Form. This step allowed MDOT Officers to become familiar with the transporters of fuel and their drivers. MDOT expected criticism about this new procedure, but after 6 months, we didn't receive one negative phone call. We found that most of these drivers are very professional and cooperative. After the events of September 11, MDOT had to heighten awareness concerning all fuel tanker trucks traveling through our state. MDOT officers were familiar with what trucks were traveling in their areas and were able to spot strange and unusual tankers off the normal routes.

In late 2001, we found some interesting things going on concerning jet fuel that was being imported into Mississippi from Louisiana. Many state municipalities that have no jetport were reported as destinations on the import notices received at MDOT weigh stations. Further investigation concluded that about 30,000 gallons of jet fuel a month were imported into various municipalities that had no jetports. We sent out a notice to all our officers to sample diesel vehicle fuel tanks in these areas and we found crystal clear fuel, which looked like jet fuel being used on the roads. We even found a few jet fuel tankers parked behind truck drivers' favorite restaurants and along remote highways equipped with gas operated pump hoses and nozzels. These cases are still under investigation.

We started researching our state jet fuel consumption, and found that the largest volume of jet fuel was used during October of 2001. This led to another statewide alert concerning jet fuel. In February and March of 2002 we began sampling the fuel tanks again and found more clear fuel. Apparently word got out about the cases involving the use of untaxed fuel on the highway. As a result, the jet fuel consumption for April dropped by 1.9 million gallons while the taxed Diesel went up 1.9 million.

Mississippi has the Mississippi River on one side and the Tennessee Tombigbee River on the other, as well as several miles bordered by the Mississippi Gulf Coast. This makes Mississippi a prime location to transport large amounts of fuel by barge. Some of our investigations have revealed potential barge off-loading sites. These areas are places where a barge and an 18-wheel tanker truck can come in close range to load the tanker truck with a pump from the barge. This process bypasses the terminal and the Federal point of taxation. After finding a few of these sites along the Mississippi River and the Tennessee Tombigbee River, we coordinated a detail with the US Coast Guard, Corp of Engineers, Mississippi Bureau of Narcotics, and the Mississippi Department of Wildlife and Fisheries, to check for registration, documents and drugs on the Tennessee Tombigbee River. MDOT is now working on a way to systematically monitor of our river systems. We want to know who's shipping what, where they are shipping it and is it really what's declared on the documents.

The need for a joint Federal State Enforcement Task Force became evident. On April 18, 2002, the first meeting was held for the Southeastern United States. Law Enforcement officials from many branches of state and Federal government as well as the Corp of Engineers and the IRS attended this meeting. To be effective in Fuel Tax Compliance this type of task force meeting needs to be held around the nation to communicate and educate our Law Enforcement Officials about the Fuel Tax evasion schemes currently happening nationwide. Some things to consider which could help: 1). Do away with any tax-free purchases of jet fuel at the rack. 2). Develop funding for “on the road, water and rail enforcement” pertaining to fuel tax compliance. 3). Eliminate all disclosure regulations prohibiting the IRS from communicating with any law enforcement agencies involved with fuel tax investigations.