

Your Fuel Tax Compliance Program Has a Single Point of Failure

A guide for multi-state fuel distributors on reducing hidden compliance risk and building a more resilient compliance program.

Executive Summary

As fuel distributors expand into new jurisdictions, acquire entities, and operate with leaner teams, compliance obligations continue to grow. Filing deadlines, license requirements, jurisdictional rules, audit documentation, and internal approvals all require consistent execution. In many organizations, that execution still depends on spreadsheets, email reminders, shared drives, and the institutional knowledge of one or two experienced employees.

That model creates concentrated operational risk and a financial control issue leadership may not see until something breaks

The broader tax environment makes the issue more urgent. [The Sovos 2025 State of Tax Compliance Report](#) found that 82% of companies believe they are more exposed to tax compliance risk than they were five years ago, while 90% expect compliance costs to continue rising.

At the same time, workforce challenges are intensifying. [The 2025 EY Tax and Finance Operations Survey](#) found that 61% of tax leaders expect the retirement of senior professionals to significantly impact their functions, and [66% anticipate](#) that a shrinking pipeline of accountants entering the profession will further strain already limited resources.

For multi-state fuel distributors, these pressures are not abstract. When compliance knowledge lives primarily with one person, the business is exposed to missed filings, penalties, licensing consequences, audit disruption, cash flow risk, and executive scrutiny. This guide examines the structural risks created by key-person dependency in fuel excise tax compliance, where those risks typically surface, and the controls leading organizations use to build a more resilient, visible, and scalable compliance program.

The Hidden Risk in Fuel Tax Compliance

Most fuel tax compliance programs appear stable until something disrupts them.

- A key employee leaves.
- A filing deadline is missed.
- An acquired entity introduces new state obligations.
- A license renewal is overlooked.
- An auditor requests documentation that cannot be produced quickly.

Fuel tax teams work hard to meet deadlines and protect the business; the risk comes from the control and structure around that work.

Many organizations still manage critical compliance obligations through spreadsheets, calendar reminders, emails, and individual knowledge. That fragmented approach may work when the same person manages the same process every month. It becomes fragile when the business grows, enters new jurisdictions, acquires entities, or faces greater demands for visibility and accountability.

The issue is not whether the tax team is capable. The issue is whether the compliance program can operate with the same level of confidence if key knowledge becomes unavailable.

A compliance program dependent on one person creates five basic questions leadership often cannot answer with confidence:

- What filings are due in the next 30 days?
- Which obligations are currently at risk?
- Who owns each task, and what is the status?
- What happens if a key employee is unavailable?
- How quickly can audit documentation be produced?

The business question is straightforward:

If your fuel tax compliance manager were unavailable tomorrow, how long would it take your organization to know what was due, what had been filed, what was still open, and where the documentation lived?

For many multi-state fuel distributors, the honest answer is longer than leadership would want.

The challenge is not a lack of effort or expertise. It is that critical compliance knowledge often resides in people rather than in a repeatable, visible process. When that happens, risk can remain hidden until a disruption exposes it.

Why Fuel Tax Compliance Creates Unique Operational Risk

Key-person dependency exists in many tax functions, but fuel excise tax makes the risk more severe. Fuel tax compliance involves frequent filings, state-specific rules, license obligations, changing rates, transaction-level detail, exemptions, jurisdictional differences, and audit documentation requirements. For multi-state distributors, the obligation calendar is not static. Each new state, entity, product, or acquisition adds another layer of obligation.

That complexity often becomes embedded in the habits of the person managing the process.

This one person knows:

- Which filings require extra review.
- Which state portals are difficult.
- Which deadlines move because of weekends or holidays.
- Where prior submissions are stored.
- Which spreadsheet tab tracks which obligation.
- Which license renewal cannot be missed.

The problem is that the rest of the business may not know any of it.

When compliance knowledge resides in a person rather than in a system, the organization has limited continuity. A vacation, resignation, leave of absence, promotion, acquisition, or audit can expose how much risk was being carried informally.

This is especially dangerous for growing distributors. A company may acquire new entities, enter new states, or increase filing volume without materially changing the compliance infrastructure supporting the work. The result is a larger compliance footprint being managed with the same manual process and the same concentrated ownership.

Growth increases the risk faster than the organization can see it.

EXECUTIVE INSIGHT

Many fuel distributors spend years expanding their compliance footprint through acquisitions, new jurisdictions, and increased filing obligations. Far fewer make comparable investments in the controls supporting compliance.

Growth often increases compliance risk faster than the organization can see it.

A \$150,000 Lesson

When a tax team began transitioning responsibilities due to a long-term employee's departure, leadership believed they had everything under control. All deadlines were documented in a spreadsheet. Relying on this, they processed payments according to the due dates. What they didn't realize, however, was that the spreadsheet was backed by tribal knowledge, which wasn't documented. The payment needed to **arrive at the treasury** by the due date, not just be submitted.

The result? A costly **\$150,000 penalty for late payment.**

The Financial Impact of Compliance Failure

The cost of a compliance breakdown is rarely limited to the penalty notice. Late filings, missed deadlines, license issues, and poor documentation can create financial and operational consequences that extend across tax, finance, legal, operations, and executive leadership.

Lost collection allowances and timely filing discounts: In many jurisdictions, fuel distributors may only claim collection allowances, vendor compensation, or timely filing discounts when returns and payments are submitted on time. A late filing can therefore create a double cost: the organization pays penalties and interest while also losing the discount or allowance it would have otherwise retained. For high-volume distributors, that lost allowance can be more material than the penalty itself.

Compounding financial exposure: For organizations operating across multiple jurisdictions, minor penalties accumulate quickly, especially when they aren't found immediately.

Cash flow drag: Teams may submit payments earlier than necessary because they do not fully trust the calendar, workflow, or payment process. For high-volume fuel distributors, that can reduce working capital flexibility.

Audit readiness risk: When filing records, approvals, support, and submission confirmations are spread across spreadsheets, inboxes, shared folders, and individual desktops, audit response becomes a reconstruction exercise.

Staff capacity loss: Manual tracking pulls skilled tax professionals into repetitive administrative work instead of acquisition support, jurisdictional risk review, control improvement, regulatory change management, and executive reporting.

Together, these hidden costs turn a late filing from an administrative issue into a broader financial control problem that can affect cash flow, margins, audit readiness, and executive confidence.

How the Risk Compounds

Key-person dependency rarely becomes visible during normal operations. The risk typically surfaces when the organization experiences change, growth, or increased scrutiny. In many cases, compliance processes appear to function effectively until a transition, acquisition, or audit reveals how much of the program depends on undocumented knowledge and manual coordination.

Three situations consistently expose hidden compliance risk.

1. Personnel transitions

When the person managing the compliance calendar leaves, is promoted, or goes on extended leave, the organization often discovers how little of the process was formally documented.

New employees cannot inherit what was never written down. Even experienced tax professionals need clear task ownership, deadline logic, filing history, portal details, license status, and audit documentation to assume responsibility effectively.

Without a system of record, transition creates immediate exposure.

3. Audit exposure

Manual compliance programs often produce documentation only when someone remembers to save it.

When a state revenue department requests filing history, proof of submission, approval records, or supporting documentation, the answer cannot be “we think it is in a shared drive somewhere.”

That answer increases audit friction. It also signals that compliance activity is not centrally governed.

Audit readiness requires documentation to be captured as part of the normal workflow. Every task, approval, filing, and submission should leave a clear record without requiring manual reconstruction.

Building a More Resilient Compliance Program

Organizations that successfully reduce compliance risk don't eliminate complexity. They create visibility, accountability, and continuity around it.

Their goal isn't simply to meet filing deadlines. It's to ensure compliance can continue regardless of personnel changes, organizational growth, or increased regulatory scrutiny.

Like many fuel distributors, Wallis faced the challenge of managing growing compliance obligations with processes that depended heavily on individual knowledge. As filing complexity increased, the organization sought a more sustainable approach that reduced manual effort and improved visibility into compliance activities.

“The first two years, I didn't take a vacation because I was the only tax person. Even with additional staffing, our tax calendar had to be recreated each month manually.”

— Rob Garrett, Fuel Supervisor, Wallis Companies

[Read the full case study](#)

1. Eliminate single-person dependency

Compliance knowledge should not live primarily in one person's head.

Filing calendars, task ownership, jurisdictional requirements, license deadlines, approval steps, and documentation standards should exist in a system that others can access, understand, and operate.

The goal is continuity. If the primary compliance owner is unavailable, the process should continue without confusion or delay.

2. Centralize obligations and deadlines

A single system of record for filing requirements, license renewals, jurisdictional obligations, and internal tasks reduces the risk of obligations falling between spreadsheets, inboxes, portals, or team members.

Centralization also gives leadership a clearer view of the compliance footprint across entities and states.

3. Standardize workflows and accountability

Fuel tax compliance requires repeatable execution.

Task assignment, review steps, escalation paths, completion tracking, and approvals should be standardized. This creates a process that can be audited, transferred, and scaled.

When workflows are standardized, the organization is less dependent on one person remembering every step.

4. Build audit readiness proactively

Audit documentation should be created as a byproduct of daily compliance work.

Every task completion, approval, filing, submission, and supporting document should be timestamped, attributed, and accessible. This reduces the manual burden of responding to audit requests and improves confidence in the organization's compliance history.

5. Create executive-level visibility

Leadership should be able to assess compliance health without requesting a spreadsheet or waiting for a manual report.

Real-time visibility allows executives to see open obligations, upcoming deadlines, license risks, documentation gaps, and workload pressure before they become financial or operational issues.

Visibility is what turns compliance from a reactive function into a controlled business process.

Conclusion

Fuel excise tax compliance risk often becomes visible only after a disruption: a missed deadline, a late payment, a license issue, an audit request, or the departure of a key employee.

The organizations most exposed to risk are not necessarily those with the most filing obligations. They are the organizations whose compliance programs depend on knowledge that exists in only one place—or one person.

As compliance complexity continues to grow and experienced tax professionals become harder to replace, continuity, visibility, and accountability become increasingly important components of a resilient compliance program.

Addressing these challenges often requires more than additional staff or better spreadsheets. It requires a system that makes compliance obligations visible, repeatable, and less dependent on institutional knowledge.

How Exposed Is Your Compliance Program?

Take the Tax Compliance Risk Assessment and evaluate your organization's exposure across key-person dependency, filing management, audit readiness, acquisition readiness, and executive visibility.

Take the Assessment