

# What to Expect as a New Entrant:

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## A Guide to Running Your Trucking Company During the First Year



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## Check list:

- ✓ *Operate Safely*
- ✓ *Maintain Records*
- ✓ *Periodic Inspections*
- ✓ *Pass Safety Audit*

## What to Expect as a New Entrant

### Introduction

Now that you have applied for and received your motor carrier authority, the next step for your trucking company is to get permanent operating authority. Your company will get permanent authority after being observed for 18 months during the [new entrant period](#). A new entrant is a motor carrier that has applied for a U.S. Department of Transportation (DOT) identification number to haul interstate commerce.

To get permanent authority, your company must:

- Operate safely
- Maintain up-to-date records
- Conduct periodic inspections and perform maintenance on CMVs
- Pass the safety audit

In this whitepaper, we will outline the policies and procedures you need to have in place, so you can pass your safety audit and get your permanent authority.

### Insurance

The FMCSA requires every motor carrier to have insurance on file before beginning operations in interstate commerce. Before you choose an insurance plan, think about your company's needs, like what type of freight you're hauling and whether you are hauling long-haul or interstate. It is important that the insurance fits your company's needs and covers your business, especially if you plan to haul hazmat or heavy cargo. You may need additional insurance if you haul those types of freight. It is important to have the required level of insurance to activate your authority.

There are a lot of insurance companies that provide insurance to carriers, so the best way to reduce costs is to compare quotes and do your research. Companies like [Progressive](#) offer commercial truck insurance and some trucking organizations like [Owner Operator Independent Drivers Association \(OOIDA\)](#) offer policies too. Once you pick your insurance plan, the insurance company must send the FMCSA form BMC-91 as proof of insurance, so you can start hauling. For more information about insurance requirements, visit the [FMCSA](#).

## Alcohol and Drug Testing Program

Your trucking company must also have drug and alcohol testing policies. The DOT requires each trucking company to have a written policy on drug and alcohol use. As the company owner, you need to give a copy of the policy to all of your employees and have them sign it to verify that they understand the guidelines.

Your policy should include a **random drug and alcohol testing program**, that requires all employees in “safety-sensitive” positions to be tested. This means all CDL truck drivers must be tested for drugs and alcohol. If you’re the company owner and drive for your company, you are also required to be tested. Keep records of your drug and alcohol testing program, including employees that have been tested, dates and times of notification, dates and times of testing, and reasons employees weren’t tested if any. If you’re not sure whether or not to record something, document it anyway.

**Alcohol and drug violations are part of the safety audit, so it’s important not to use drivers who have had a blood alcohol content of 0.02 or greater, refused an alcohol or drug test, or failed to complete required follow-up procedures after testing positive for drugs or alcohol.**

Store all records in locked file cabinets with limited access. You can also keep electronic records, but the DOT requires some to be physical paper records. For more information on testing guidelines and other best practices, [visit our blog](http://www.apexcapitalcorp.com/blog/comply-drug-testing-standards) at [www.apexcapitalcorp.com/blog/comply-drug-testing-standards](http://www.apexcapitalcorp.com/blog/comply-drug-testing-standards).



<b>TAX FILING</b>	
<b>COMPANY TYPE</b>	<b>FORM TYPE</b>
<b>Sole Proprietorship</b>	<b>Schedule C with Form 1040</b>
<b>Single-Member LLC</b>	<b>Schedule C with Form 1040</b>
<b>Multi-Member LLC</b>	<b>Form 1065</b>

## Taxes

Each year your trucking company will need to file business taxes. If your trucking company is set up as a limited liability company (LLC), or sole proprietorship, you will file taxes as a small-business or as being self-employed. How your company is set up will determine what form you use to file your taxes.

If your company is a sole proprietorship, you should file a Schedule C with Form 1040. If your company is a single-member LLC, you should also file your taxes using Schedule C of Form 1040. A multi-member LLC should file a Form 1065.

### State Taxes

You also need to file state tax returns in the state where your company is located. The registration process and fees involved are different depending on which state you are in. Check your state's taxing authority website for more information.

### Common Deductions

If an expense is ordinary and necessary in conducting your trucking business, the IRS allows you to deduct that expense from your taxes. When deducting these expenses, it's important to keep receipts for at least 5 years. Many of these expenses may show up on your settlement statements, so be sure to keep them in a bookkeeping program. Collect your receipts and record expenses in your logbook. If your drivers find it difficult to keep receipts, you can use a credit card statement as verified information. Just be sure to make notes about the transaction. For a detailed list of trucking expenses that can be deducted, [visit our blog](http://www.apexcapitalcorp.com/blog/owner-operator-taxes-101-common-deductions/) at [www.apexcapitalcorp.com/blog/owner-operator-taxes-101-common-deductions/](http://www.apexcapitalcorp.com/blog/owner-operator-taxes-101-common-deductions/) for more information.


## IFTA

In addition to filing taxes, you must also file a quarterly fuel tax report to determine fuel tax obligations in each state you haul. The taxing authority is called the International Fuel Tax Agreement (IFTA). If you haul freight in two or more IFTA states, you will choose one state as your "base jurisdiction" and get a single fuel tax license for each of your trucks. This authorizes your truck(s) to travel in all IFTA jurisdictions.

At the end of the fiscal quarter, you are required to list all of the miles that your company truck(s) traveled in each state. You must also list all gallons purchased by location. You can view, print, or download the fuel tax rates for all IFTA jurisdictions at [www.iftach.org](http://www.iftach.org).

Reporting Quarter	Due Date
January - March	April 30
April - June	July 31
July - September	October 31
October - December	January 31

Your company is required to file only one tax return each quarter with your base jurisdiction, and report your fuel usage and mileage for all IFTA member states and provinces. A report must be submitted each quarter even if: 1) no taxable miles were traveled, or 2) all miles traveled were in your respective base jurisdiction. Even if you haul in non-IFTA jurisdictions, you must file the fuel tax returns required by the non-IFTA jurisdiction.



### Calculating Your Fuel Tax Report

**You haul a load from Fort Worth, TX to Chicago, IL ...**

<b>1) Determine the number of miles traveled in each state:</b> <ul style="list-style-type: none"><li>- TX: 112 miles</li><li>- OK: 296 miles</li><li>- MO: 292 miles</li><li>- IL: 293 miles</li></ul>	<b>2) Assuming your truck gets 6 miles per gallon, determine the number of gallons used in each state:</b> <ul style="list-style-type: none"><li>- TX: 18.67 gallons</li><li>- OK: 49.33 gallons</li><li>- MO: 48.67 gallons</li><li>- IL: 48.83 gallons</li></ul>	<b>3) Multiply the number of gallons used by the current state tax*:</b> <ul style="list-style-type: none"><li>- TX: 18.67 gal x 0.2 tax/gal = \$3.73</li><li>- OK: 49.33 gal x 0.13 tax/gal = \$10.75</li><li>- MO: 48.67 gal x 0.17 tax/gal = \$8.27</li><li>- IL: 48.83 gal x 0.43 tax/gal = \$21.00</li></ul> <hr/> <b>Total Fuel Tax Owed: \$43.75</b>
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\* State Taxes listed in this example are based on rates as of December 2015.



## CSA Scores

Although the [Fixing America's Surface Transportation \(FAST\) Act](#) has removed all CSA scores from public view, to get permanent operating authority, your trucking company must operate safely. The FMCSA will monitor your trucking company's safety through its safety data, so it is important to pay attention to these records. The [FMCSA's Compliance, Safety, and Accountability \(CSA\) program](#) monitors the safety and performance of your trucking company and drivers using the Safety Measurement System (SMS). SMS uses your trucking company's data from roadside inspections, including all safety-based violations, state-reported crashes, and the Federal Motor Carrier Census to determine your safety scores in the following Behavior Analysis and Safety Improvement Categories (BASICS).

- Crash Indicator BASIC
- Driver Fitness BASIC
- Unsafe Driving BASIC
- Hours-Of-Service (HOS)
- Compliance BASIC
- Vehicle Maintenance
- BASIC (Cargo-Related)
- BASIC-Inspection-Repair-Maintenance
- Controlled Substances/Alcohol BASIC
- Hazardous Materials (HM) Compliance BASIC

**Make sure your trucks are inspected regularly. Perform any Out-of-Service repairs and report them on your driver-vehicle inspection reports (DVIRs).** It is a good idea to check your company's CSA scores online by going to the [SMS website](#). You can download the data and even sort the information by driver, date, location of inspection, vehicle, vehicle type and violation. This helps you find any safety problems and fix any issues to make sure your company is operating safely. Monitoring your safety score can also help you stay compliant with safety regulations and prevent any unnecessary inspections or violations.



## Driver Qualification File (DQF)

The Federal Motor Carrier Safety Regulation (FMCSR) requires trucking companies to have a DQF for each hired driver for the past 3 years to ensure a candidate is qualified to operate a commercial motor vehicle. The best way to confirm you are hiring qualified drivers is to keep a DQF on each driver.

FMCA's Driver Qualification File Requirements:

- The driver's completed application for employment
- A copy of the motor vehicle record (MVR) received from each state
- The certificate of driver's road test issued to the driver, or a copy of the license or certificate which the motor carrier accepted as equivalent to the driver's road test
- The motor vehicle record received from each state driver's licensing agency to the annual driver record inquiry
- A note relating to the annual review of the driver's driving record
- A list or certificate relating to violations of motor vehicle laws and ordinances
- The medical examiner's certificate or a legible copy of the certificate; exceptions on this can be found on the FMCSA website
- A Skill Performance Evaluation Certificate obtained from a Field Administrator, Division Administrator, State Director, or the Medical Exemption document, issued by a Federal medical program
- A note relating to verification of medical examiner on the National Registry of Certified Medical Examiners

In terms of medical information, only a driver's medical certificate should be kept to avoid violating any HIPAA Privacy Rules. Also any driver drug and alcohol information should be kept in a separate, confidential file. If you do not comply with the driver qualification rules, you could be liable for a civil penalty up to \$1,000 for each violation and you could fail your safety audit. For more information about the requirements and to download a printable checklist, [visit our blog](http://www.apexcapitalcorp.com/blog/how-to-stay-compliant-with-driver-qualification-rules) [www.apexcapitalcorp.com/blog/how-to-stay-compliant-with-driver-qualification-rules](http://www.apexcapitalcorp.com/blog/how-to-stay-compliant-with-driver-qualification-rules).



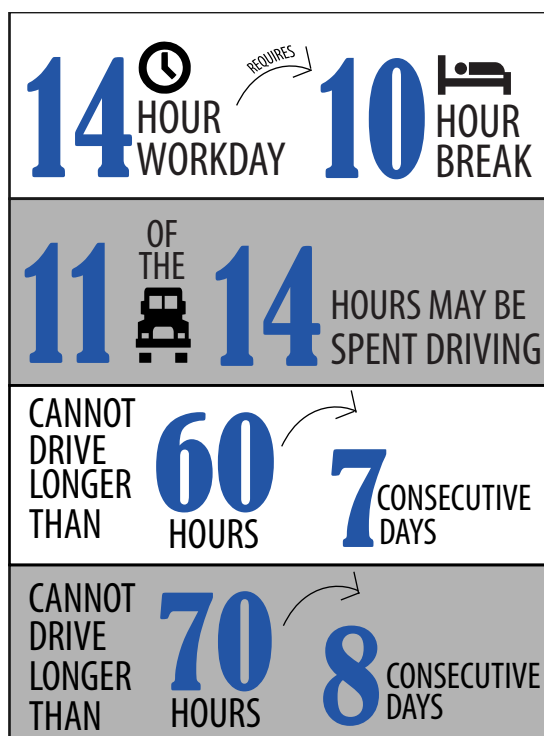


## Hours Of Service (HOS)

Your company may be denied permanent authority if your drivers don't keep Hours-Of-Service (HOS) records. HOS regulations issued by the FMCSA include instructions that tell drivers when and how long they are allowed to drive.

- Drivers can only drive a maximum of 11 hours after being off-duty for 10 consecutive hours.
- Drivers cannot drive over 14 consecutive hours after going on duty, following 10 consecutive hours off duty.
- Drivers cannot drive longer than 60 hours in seven consecutive days or 70 hours in eight consecutive days.
- Drivers using a sleeper berth must spend eight consecutive hours in the sleeper berth and two additional hours off duty.

Your drivers must keep the last six months of logbooks and supporting documents with them in the truck to show compliance. Visit the FMCSA website for more information about how to document Hours-of-Service, and to find logbook examples.



## Safety Audit







To get permanent operating authority, your company is required to go through, and pass, an in-depth [safety audit](#) required by the FMCSA. A certified U.S. federal safety investigator, or a state or provincial enforcement officer must perform the audit within the first 12 months of business. The inspector will look at six factors to determine your company's compliance with safety regulations, so it's important to document your compliance with all safety regulations.

The following items are required for each of your drivers:

- **General:** The auditor will check that your company has active motor carrier insurance, an accident register listing any DOT-recordable accidents involving your trucking company, and an accident report for each accident.
- **Drivers:** Next the auditor will check your driver qualification file (DQF) and drug and alcohol testing program.
  - DOT driver application
  - Completed entry-level driver training (if required)
  - Road test
  - Valid driver's license issued by their home state with the correct classes and endorsements
  - Valid medical card on file
  - Driving record and past employment checked when hired

- Annual MVR checks
- Reports for all traffic convictions, suspensions, revocations, and disqualifications
- **Operational:** Your company's safety and compliance with Hours-Of-Service regulations are also checked. The auditor will ask for "supporting documents" to compare against your driver's logs. You can use any documents that help the auditor determine the accuracy of your driver's logs.
- **Vehicles:** You should have a maintenance file for each truck that shows all inspections, maintenance, and repairs, as well as driver vehicle inspection reports (DVIRs).
- **Hazardous Materials:** If you haul hazardous materials, make sure you are compliant with required permits and rules. For more information, [visit the FMCSA](#).
- **Accidents:** The auditor will check your company's accident register.

If your company passes the safety audit, the FMCSA will continue to monitor your company's safety compliance and performance. If you fail your safety audit, you need to submit a corrective action plan to fix any violations or your trucking company's operating authority could be revoked.

Safety Audit	
 <b>General</b>	 <b>Vehicles</b>
 <b>Drivers</b>	 <b>Hazardous Materials</b>
 <b>Operational</b>	 <b>Accidents</b>

## Additional Annual Filings

Once you have active operating authority as an interstate motor carrier, there are several forms that must be renewed annually or biennially.

### Biennial Update (MCS-150)

You must update your trucking company's information with the FMCSA every two years by filing a [biennial update through the MCS-150 form](#). This must be filed even if your company has not changed its information, has not operated since the last update, or is no longer in business without notifying the FMCSA. You can update your company's information for free online, or through fax or mail. The year and month your update is due is determined by the last two digits of your USDOT number. For more information on where to send form MCS-150, [visit the FMCSA website](#).

### BOC-3 Filing

The FMCSA requires you to have a current [Form BOC-3](#) on file each year. The BOC-3 identifies a process agent in each state who may accept service of process on behalf of your company. The filing is due during the anniversary month of your previous BOC-3 filing.

### Unified Carrier Registration (UCR)

If you are an interstate motor carrier, you will also need to renew your trucking company's Unified Carrier Registration (UCR). The UCR registers your company in every UCR member state and collects fees based on fleet size. You can file and pay for your UCR annually online at [www.ucr.in.gov](http://www.ucr.in.gov). This filing should be completed by the beginning of each new year.

#### **UCR RENEWAL RATES**

**\$76 for 0-2 Vehicles**  
**\$227 for 3-5 Vehicles**  
**\$452 for 6-20 Vehicles**

## International Registration Plan (IRP)

The International Registration Plan (IRP) registers your trucks to haul in every state and must also be renewed annually. To register your vehicle(s) and receive your apportioned license plates and cab card(s), you must file IRP paperwork in your home state.

### International Fuel Tax Agreement (IFTA)

Initially, every interstate motor carrier meeting certain weight requirements must register for IFTA for fuel tax reporting. Once registered, you will receive an IFTA license and two decals for each qualifying motor vehicle operated. At the end of each quarter, you are required to complete a fuel tax report showing miles driven and fuel purchased in each participating jurisdiction. The report identifies the average fuel mileage and applies that to miles traveled in order to determine your tax liability in each jurisdiction. Any taxes due or potential refund owed is then sent to your base jurisdiction. Each jurisdiction takes care of transferring the funds among all IFTA jurisdictions accordingly.

### The Secretary of State

The Secretary of State (or similar agency) in your home state may also require an annual filing, report, or update for your business. Each state's form and fees are different, so check your state's website for more information.

### Other Filings

Additional renewals, registrations, and filings that may be required include, but are not limited to: New York Highway Use Tax (HUT), New Mexico Weight Distance Tax, Kentucky Weight Distance Tax, Oregon Weight-Mile Tax, Heavy Highway Vehicle Use Tax (HVUT), as well as state and federal tax filings. Need assistance tracking and filing your renewals? Contact Apex Renewal Filings. You can reach us by phone at 855-973-1573, or email us at [renewalfilings@apexcapitalcorp.com](mailto:renewalfilings@apexcapitalcorp.com) with your company and authority information.

## Conclusion

There is a lot that goes into running a trucking company, but by staying organized and compliant with all new entrant rules, you can get your permanent operating authority and run a successful trucking business.

If you need cash flow help, check out Apex Capital's freight factoring and fuel card programs. We can help your trucking company save money, work smarter, and grow. Call 1-855-973-1573 learn more.

Apex offers clients quick payments, industry-leading service and the best credit system in the industry. When you factor with Apex, you can run free credit checks 24/7 to make sure you're hauling the right loads and with the Apex Fuel Card Programs, you can save big at the truck stops you visit most.

- Low, competitive rates
- Recourse and non-recourse factoring options
- Same-day or next day funding
- Fuel credit lines available
- Fast and reliable funding with faxes and copies
- 2% flat rate on invoices that have already been billed
- No termination fees or long-term contracts
- Access your account 24/7 from your computer, smart phone or tablet

We give you the tools and services you need to manage your business smarter, faster and easier!

- **blynk™ - the fastest way to get paid**
- **FREE** access to our load board, NextLOAD.com
- **FREE** fuel card with discounts on fuel and services nationwide
- **FREE** online Account Management Portal (AMP) 24/7
- **FREE** credit checks and self-funding 24/7
- **FREE** Mobile Factoring™ app with image capture technology

### Why is Apex America's Favorite Factor?

Apex has specialized in factoring for the trucking industry for 20 years. We ONLY factor freight bills. We are experts in the industry and we continually add new and innovative programs and processes to help our clients save money and manage their business.



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