

Amend Revenue and Taxation Code Sections 7510, 8707, 8714 and 60185 to increase the reinstatement fee on motor vehicle fuel, use fuel and diesel fuel accounts from \$50 to \$100 to adjust for inflation and be consistent with both the Sales and Use Tax Law and the Cigarette and Tobacco Products Licensing Act Law.

Source: Special Taxes and Fees Policy and Compliance Division

Existing Law. Under existing law¹, a person required to be licensed under the Motor Vehicle Fuel Tax Law or the Diesel Fuel Tax Law, or hold a permit under the Use Fuel Tax Law, is required to pay a \$50 fee to reinstate a revoked license or permit.

The amount of the reinstatement fee for the BOE's fuel tax programs is inconsistent with the \$100 reinstatement fees under the Sales and Use Tax Law and the Cigarette and Tobacco Products Licensing Act Law.²

The sales tax reinstatement fee for a seller's permit was increased from \$50 to \$100, effective January 1, 2010.³ The \$100 reinstatement fee for retailers of cigarette and tobacco products was imposed in 2003.⁴

The related fuel tax reinstatement fee statutes were first added to the law in the years 1953 (use fuel vendor), 1955 (use fuel user), 1995 (diesel fuel) and 2000 (motor vehicle fuel) and were set at \$5 to \$50. The fees have increased for the use fuel user and vendor in 1959 to \$10, 1966 to \$15, and to \$50 in years 1989 and 1991, respectively.

The BOE's current estimated cost to reinstate a permit is \$232, which exceeds the current reinstatement fee by \$182. Approximately 963 of the 2,362 revoked permits were reinstated last year, leaving the BOE with approximately \$175,000 in unreimbursed costs.

Based on the rate of inflation from 1989 to 2000, the equivalent fuel reinstatement fees would be about \$71 to \$97 today. Although a \$100 reinstatement fee still falls short of the fee necessary to fully reimburse BOE's costs, it is consistent with the rate of inflation since the last increase. In addition, the \$100 fee will bring consistency among BOE administered tax programs. These consistencies will ease implementation of the BOE's new revenue data system.

This Proposal. This proposal would amend RTC Sections 7510 (Motor Vehicle Fuel Tax Law), 8707 (use fuel tax user), 8714 (use fuel tax vendor), and 60185 (Diesel Fuel Tax Law) to increase the reinstatement fee from \$50 to \$100.

¹ Revenue and Taxation Code (RTC) Sections 7510, 8707, 8714 and 60185.

² RTC Section 6069, and Section 22973(d)(2) of the Business and Professions Code (BPC), respectively.

³ Assembly Bill 1547 (Ch. 545, Stats. 2009).

⁴ Assembly Bill 71 (Ch.890. Stats. 2003), established BPC Section 22973 (d)(2).

This provision is intended both to encourage timely filing of returns and payment of fuel tax liabilities, as well as to defray the BOE's costs associated with reinstating fuel tax permits.

Section 7510 of the Revenue and Taxation Code is amended to read:

7510. Subsequent to the revocation of the license of a person, the board shall reinstate the permit when the person pays the amount of tax determined, together with interest and penalties, fully complies with this part, and pays a fee of ~~fifty dollars (\$50)~~ one hundred dollars (\$100) to the board for reinstatement. The fee shall not be subject to refund except as provided in Section 8126.

Section 8707 of the Revenue and Taxation Code is amended to read:

8707. Subsequent to the revocation of the permit of a user the board shall reinstate the permit when the user pays the amount of excise tax determined, together with interest and penalties, fully complies with the provisions of this part, and pays a fee of ~~fifty dollars (\$50)~~ one hundred dollars (\$100) to the board for reinstatement. The fee shall not be subject to refund except as provided in Section 9151.

Section 8714 of the Revenue and Taxation Code is amended to read:

8714. Whenever any vendor fails to comply with any provision of this part or any rule or regulation of the board prescribed and adopted under this part, relating to fuel vendors, the board upon hearing, after giving the vendor at least 10 days' notice in writing specifying the time and place of hearing and requiring the vendor to show cause why his or her permit should not be revoked, may revoke or suspend the permit held by the vendor. The board shall give to the person written notice of the suspension or revocation of his or her permit. The notices may be served personally or by mail in the manner prescribed for service of notice of a deficiency determination. The board shall not issue a new permit to a vendor whose permit has been revoked or reinstate the permit of a vendor whose permit has been suspended or revoked unless it is satisfied that he or she will comply with the provisions of this part and the rules and regulations of the board, and the vendor pays to the board a fee of ~~fifty dollars (\$50)~~ one hundred dollars (\$100) for the reinstatement or issuance of a permit. The fee shall not be subject to refund except as provided in Section 9151.

Section 60185 of the Revenue and Taxation Code is amended to read:

60185. Subsequent to the revocation of the license of a person, the board shall reinstate the permit when the person pays the amount of tax determined, together with interest and penalties, fully complies with this part, and pays a fee of ~~fifty dollars (\$50)~~ one hundred dollars (\$100) to the board for reinstatement. The fee shall not be subject to refund except as provided in Section 60521.