

Memorandum

To : Mr. Timothy W. Boyer
Interim Executive Director

Date : September 3, 2003

From : David J. Gau, Deputy Director
Property and Special Taxes Department

Subject : **2004 Diesel Fuel Tax Rate For Interstate Users**
(September 24, 2003 Administrative Consent Calendar)

Beginning January 1, 1998, and on each January 1 thereafter, sections 60115 and 60116 of the Revenue and Taxation Code provide that a (two-component) diesel fuel tax shall be established by the Board. (A history of the rate since its inception is attached.) This tax is imposed on all interstate users for the privilege of using diesel fuel purchased without California sales tax to propel a qualified motor vehicle in California.

The first component of the tax is \$0.18 per gallon (§60050). The second component (§60116) is a cents per gallon component equivalent to the sales tax on the average selling price of diesel fuel purchased in California during the prior twelve-month period ending August 31. I recommend the adoption of a diesel fuel tax rate of \$0.278 per gallon for calendar year 2004. The rate was developed as follows:

\$ 1.635	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/1/02 through 8/31/03.
- 0.18	State excise tax.
1.455	Average price per gallon excluding state excise tax.
- 0.107	Sales tax amount included in average price per gallon (\$1.445/1.079% = \$1.348. \$1.445 - \$1.348 = \$0.107).
1.348	Average price per gallon excluding state excise tax and sales tax.
x .0725	Combined state and local sales tax rate.
.098	Second component of the interstate users' tax on diesel fuel.
+ 0.18	First component of the interstate users' tax on diesel fuel.
<u>\$ 0.278</u>	Recommended diesel fuel tax rate rounded to the nearest tenth of a cent.

Please place this item on the Board's September 24, 2003 Administrative Consent Calendar for approval.

DJG:kn
Attachment

cc: Ms. Deborah Pellegrini

Approved: _____

Timothy W. Boyer
Timothy W. Boyer, Interim Executive Director

BOARD APPROVED
at the _____ Board Meeting

Deborah Pellegrini, Chief
Board Proceedings Division

INTERSTATE USERS' TAX ON DIESEL FUEL HISTORY

<u>Calendar Year</u>	<u>Rate/Gal</u>
1998	\$0.263
1999	\$0.251
2000	\$0.250
2001	\$0.271
2002	\$0.282
2003	\$0.263
2004 (Recommended)	\$0.278