State of California

Board of Equalization
Legislative and Research Division

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: September 27, 2006

From : Dave Hayes
Research and Statistics Section

Subject: PREPAYMENT OF SALES TAX ON MOTOR VEHICLE FUEL, DIESEL FUEL AND JET FUEL

OCTOBER 11, 2006 - CONSENT AGENDA

Section 6480.1 of the Revenue and Taxation Code requires the Board of Equalization to determine annually by November 1 the rate at which sales tax on motor vehicle fuel is to be collected at the time such fuel is first distributed in the state during the twelve month period beginning the following April 1. Adjusting this rate does not change the total sales tax on motor vehicle fuel, but rather keeps the percentage of tax subject to prepayment reasonably constant when prices of gasoline go up or down over time.

The method by which the rate is to be calculated annually is specified in Section 6480.1. We have used prices compiled by the U.S. Department of Energy's Energy Information Administration. The calculation of the rate for the period April 1, 2007 through March 31, 2008 yields a figure of $0.17 per gallon. This is an increase of two and one-half cents over the current rate of $0.145 per gallon.

Section 6480.1 (g) and (h) of the Revenue and Taxation Code requires the Board of Equalization to determine annually by November 1 the rates at which sales tax on diesel fuel and sales tax on jet fuel are to be collected at the time such fuel is first distributed in the state during the twelve month period beginning the following April 1.

The method by which the rate is to be calculated annually is specified in Section 6480.1 (g) and (h). We have used prices compiled by the U.S. Department of Energy's Energy Information Administration. The calculation of the rates for the period April 1, 2007 through March 31, 2008 yields a figure of $0.16 per gallon for diesel fuel, an increase of one and one-half cents over the current rate of $0.145 per gallon; and $0.125 per gallon for jet fuel, an increase of one and one-half cents over the current rate of $0.11 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on motor vehicle fuel distributions for the period April 1, 2007 through March 31, 2008 at $0.17 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on diesel fuel distributions for the period April 1, 2007 through March 31, 2008 at $0.16 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on jet fuel distributions for the period April 1, 2007 through March 31, 2008 at $0.125 per gallon.

DH:ems

cc: Ms. Randie Henry
Ms. Margaret S. Shedd
Mr. Jeff McGuire
Mr. Gary Evans
Mr. Vic Anderson
Compliance and Technology Section

Recommendation by:

Bill Senn for Dave Hayes

David E. Hayes, Manager,
Research and Statistics Section

Approved:

Ramon J. Hirsig,
Executive Director

Approved:

Gary Evans, Acting Chief
Board Proceedings Division

BOARD APPROVED

at the_____Board Meeting