

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date : October 13, 2005

From : Dave Hayes
Research and Statistics Section

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

OCTOBER 25, 2005 - 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, 2006 through March 31, 2007 yields a figure of \$0.145 per gallon. This is an increase of three cents over the current rate of \$0.115 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, 2006 through March 31, 2007 yields a figure of \$0.145 per gallon for diesel fuel, an increase of four cents over the current rate of \$0.105 per gallon; and \$0.11 per gallon for jet fuel, an increase of three and one-half cents over the current rate of \$0.075 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, 2006 through March 31, 2007 at \$0.145 per gallon.

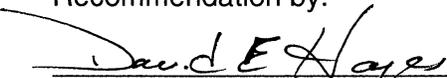
It is recommended that the Board set the rate of prepayment of sales tax on diesel fuel distributions for the period April 1, 2006 through March 31, 2007 at \$0.145 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on jet fuel distributions for the period April 1, 2006 through March 31, 2007 at \$0.11 per gallon.

DH:ems

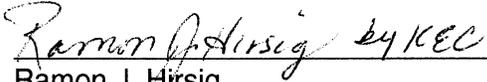
- cc: Ms. Randie Henry
- Ms. Margaret S. Shedd
- Mr. Jeff McGuire
- Ms. Deborah Pellegrini
- Mr. Vic Anderson
- Compliance and Technology Section

Recommendation by:



David E. Hayes, Manager,
Research and Statistics Section

Approved:



Ramon J. Hirsig,
Executive Director

Approved:

Deborah Pellegrini, Chief
Board Proceedings Division

BOARD APPROVED

at the _____ Board Meeting