

M e m o r a n d u m

To : Mr. Ramon J. Hirsig
Executive Director

Date : September 5, 2008

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

Subject : **2009 Diesel Fuel Tax Rate For Interstate Users**
(September 17, 2008 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. The price of diesel fuel rose dramatically in California during this period. The average price per gallon used in last year's computation was \$2.952 compared with this year's average price per gallon of \$4.007.

I recommend the adoption of a diesel fuel tax rate of \$0.437 per gallon for calendar year 2009. The rate was developed as follows:

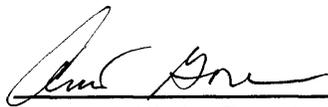
\$ 4.007	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/5/07 through 8/20/08
- 0.180	State excise tax
3.827	Average price per gallon excluding state excise tax
- 0.282	Sales tax amount included in average price per gallon (\$3.827 / 1.079576 = \$3.545. \$3.827 - \$3.545 = \$0.282)
3.545	Average price per gallon excluding state excise tax and sales tax
x .0725	Combined state and local sales tax rate
.257	Second component of the interstate users' tax on diesel fuel
+ .18	First component of the interstate users' tax on diesel fuel
<u>\$ 0.437</u>	Recommended diesel fuel tax rate rounded to the nearest tenth of a cent

Please place this item on the Board's September 17, 2008 Administrative Consent Calendar for approval.

DJG:ds
Attachment

cc: Ms. Diane Olson
Mr. Edward W. King

Approved:


Ramon J. Hirsig, Executive Director

BOARD APPROVED
At the _____ Board Meeting

Diane Olson, Chief
Board Proceedings Division

HISTORY

INTERSTATE USERS' TAX ON DIESEL FUEL

<u>Calendar Year</u>	<u>Rate/Gallon</u>
1998	\$0.263
1999	\$0.251
2000	\$0.250
2001	\$0.271
2002	\$0.282
2003	\$0.263
2004	\$0.278
2005	\$0.295
2006	\$0.330
2007	\$0.367
2008	\$0.366
2009 (Proposed)	\$0.437