

# Memorandum

To : Mr. Ramon J. Hirsig  
Executive Director

Date: September 11, 2008

From : Bill Benson, Jr.  
Acting Manager  
Research and Statistics Section

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

## **OCTOBER 1, 2008 - 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, 2009 through March 31, 2010 yields a figure of \$0.235 per gallon. This is an increase of seven cents more than the current rate of \$0.165 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, 2009 through March 31, 2010 yields a figure of \$0.245 per gallon for diesel fuel, an increase of 9 cents more than the current rate of \$0.155 per gallon; and \$0.21 per gallon for jet fuel, an increase of 8.5 cents more than the current rate of \$0.125 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, 2009 through March 31, 2010 at \$0.235 per gallon.

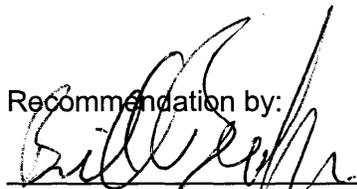
It is recommended that the Board set the rate of prepayment of sales tax on diesel fuel distributions for the period April 1, 2009 through March 31, 2010 at \$0.245 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on jet fuel distributions for the period April 1, 2009 through March 31, 2010 at \$0.215 per gallon.

BBJr:cee

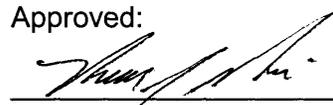
cc: Ms. Randie Henry  
Ms. Margaret S. Shedd  
Mr. Jeff McGuire  
Ms. Diane Olson  
Ms. Susanne Buehler  
Compliance and Technology Section

Recommendation by:



Bill Benson Jr. Acting Manager,  
Research and Statistics Section

Approved:



Ramon J. Hirsig,  
Executive Director

Approved:

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Diane Olson, Chief  
Board Proceedings Division

BOARD APPROVED

at the \_\_\_\_\_ Board Meeting