State of California

Board of Equalization
Legislative and Research Division

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: September 26, 2007

From : Bill Benson, Jr. for Dave Hayes
Research and Statistics Section

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

OCTOBER 24, 2007 - 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, 2008 through March 31, 2009 yields a figure of $0.165 per gallon. This is a decrease of one-half cent less than the current rate of $0.17 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, 2008 through March 31, 2009 yields a figure of $0.155 per gallon for diesel fuel, a decrease of one-half cent less than the current rate of $0.16 per gallon; and $0.125 per gallon for jet fuel, no change from 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, 2008 through March 31, 2009 at $0.165 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, 2008 through March 31, 2009 at $0.155 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, 2008 through March 31, 2009 at $0.125 per gallon.

DH:cee

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

Recommendation by:

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