

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: September 17, 2009

From : Robert Ingenito
Chief, Research and Statistics Section

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

OCTOBER 6, 2009 - 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, 2010 through March 31, 2011 yields a figure of \$0.185 per gallon. This is an increase of 6.5 cents more than the current rate of \$0.120 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, 2010 through March 31, 2011 yields a figure of \$0.160 per gallon for diesel fuel, an increase of 2.5 cents more than the current rate of \$0.135 per gallon; and \$0.120 per gallon for jet fuel, an increase of 1.5 cents more than the current rate of \$0.105 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, 2010 through March 31, 2011 at \$0.185 per gallon.

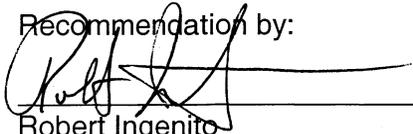
It is recommended that the Board set the rate of prepayment of sales tax on diesel fuel distributions for the period April 1, 2010 through March 31, 2011 at \$0.160 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on jet fuel distributions for the period April 1, 2010 through March 31, 2011 at \$0.120 per gallon.

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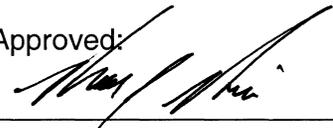
cc: Ms. Randie Henry
Ms. Margaret S. Shedd
Mr. Jeff McGuire
Mr. Diane Olson
Ms. Susanne Buehler
Compliance and Technology Section
Mr. Bill Benson, Jr.

Recommendation by:



Robert Ingenito
Chief, Research and Statistics Section

Approved:



Ramon J. Hirsig,
Executive Director

Approved:

Diane Olson, Chief
Board Proceedings Division

BOARD APPROVED

at the _____ Board Meeting