

**Memorandum**

To : Mr. Ramon J. Hirsig  
Executive Director

Date : September 11, 2009

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

Subject: **2010 Diesel Fuel Tax Rate For Interstate Users**  
(September 22, 2009 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 "...no later than October 1 of the year prior to the effective date of the new rate." (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 dropped dramatically in California during this period. The average price per gallon used in last year's computation was \$4.007 compared with this year's average price per gallon of \$2.714. Additionally, the combined state and local sales tax rate increased from 7.25 percent to 8.25 percent.

I recommend the adoption of a diesel fuel tax rate of \$0.373 per gallon for calendar year 2010. The rate was developed as follows:

|                 |   |
|-----------------|---|
| \$ 2.714        | Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/3/08 through 8/26/09. |
| - 0.180         | State excise tax.   |
| 2.534           | Average price per gallon excluding state excise tax.  |
| - 0.197         | Sales tax amount included in average price per gallon<br>(\$2.534/1.084073 = \$2.337. \$2.534 - \$2.337 = \$0.197).     |
| 2.337           | Average price per gallon excluding state excise tax and sales tax.  |
| x .0825         | Combined state and local sales tax rate.  |
| .193            | Second component of the interstate users' tax on diesel fuel.   |
| + .18           | First component of the interstate users' tax on diesel fuel.  |
| <u>\$ 0.373</u> | Recommended diesel fuel tax rate rounded to the nearest tenth of a cent.  |

Please place this item on the Board's September 22, 2009 Administrative Consent Calendar for approval.

DJG:kn  
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                 | \$0.437            |
| 2010 (Proposed)      | \$0.373            |