

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date : September 10, 2010

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



Subject: **2011 Diesel Fuel Tax Rate For Interstate Users – Component B**
(September 2010 Administrative Consent Calendar)

Beginning January 1, 1998, and on each January 1 thereafter, section 60115 of the Revenue and Taxation Code provides that the tax imposed on interstate users consist of two components for the privilege of using diesel fuel in a qualified motor vehicle in this state.

The first component is the state excise tax imposed by Section 60050. This rate is currently set at \$0.18.

The second component, Component B, is the rate prescribed by Section 60116. Component B is established by the board as a cents per gallon 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 gradually increased in California during this period. The average price per gallon used in last year's computation was \$2.714 compared with this year's average price per gallon of \$3.047. The combined state and local sales tax rate remained constant at 8.25 percent.

I recommend the adoption of a diesel fuel tax rate for interstate users Component B of \$0.217 per gallon for calendar year 2011. The rate was developed as follows:

\$ 3.047	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/2/09 through 8/25/10.
- 0.180	State excise tax.
2.867	Average price per gallon excluding state excise tax.
- 0.239	Sales tax amount included in average price per gallon (\$2.867/1.090946 = \$2.628. \$2.867 - \$2.628 = \$0.239).
2.628	Average price per gallon excluding state excise tax and sales tax.
x .0825	Combined state and local sales tax rate.
<u>\$ 0.217</u>	Component B of the interstate users' tax on diesel fuel.

Please place this item on the Board's September 2010 Administrative Consent Calendar for approval.

DJG:sm

cc: Ms. Diane Olson
Ms. Lynn Bartolo
Mr. Lou Feletto

Approved: 
Ramon J. Hirsig, Executive Director

BOARD APPROVED
at the _____ Board Meeting

Diane Olson, Chief
Board Proceedings Division