

M e m o r a n d u m

To : Honorable Jerome E. Horton, Chairman
 Honorable Michelle Steel, Vice Chair
 Honorable Betty T. Yee, First District
 Senator George Runner, Second District
 Honorable John Chiang, State Controller

Date : September 1, 2011

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

Subject : **2012 Diesel Fuel Tax Rate For Interstate Users – component b**
 (September 2011 Administrative Consent Calendar)

Beginning January 1, 1998, and on each January 1 thereafter, section 60115 of the Revenue and Taxation Code provides that a (two-component) diesel fuel tax shall be established by the Board. 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, is the rate imposed by section 60050. Effective July 1, 2011, the excise tax rate on diesel fuel decreased from 18.0 cents (\$0.18) to 13.0 cents (\$0.13) per gallon.

The second component, component b, is the rate as prescribed by section 60116. This component 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 gradually increased in California during this period. The average price per gallon used in last year's computation was \$3.047 compared with this year's average price per gallon of \$3.825. Additionally, effective July 1, 2011 the combined state and local sales tax rate for diesel fuel increased to 9.12 percent (7.25 percent + 1.87 percent).

I recommend the adoption of a diesel fuel tax rate for interstate users – component b of \$0.305 per gallon for calendar year 2012. The rate was developed as follows:

\$ 3.825	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 9/1/10 through 8/31/11.
- 0.170	Weighted average state excise tax rate for the period 9/1/10 through 8/31/11.
3.655	Average price per gallon excluding state excise tax.
- 0.310	Sales tax amount included in average price per gallon (\$3.655/1.092572 = \$3.345. \$3.655 - \$3.345 = \$0.310).
3.345	Average price per gallon excluding state excise tax and sales tax.
x .0912	Combined state and local sales tax rate.
<u>\$ 0.305</u>	Second component of the interstate users' tax on diesel fuel.

Please place this item on the Board's September 2011 Administrative Consent Calendar for approval.

DJG:sm

cc: Ms. Regina Evans Ms. Marcy Jo Mandel
 Mr. Louis Barnett Ms. Diane Olson
 Mr. Alan LoFaso Ms. Lynn Bartolo
 Mr. Sean Wallentine Mr. Lou Feletto

Approved:
 Kristine Cazadd, Interim Executive Director

BOARD APPROVED
 at the _____ Board Meeting

 Diane Olson, Chief
 Board Proceedings Division