



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date:	04/18/13	Bill No:	Senate Bill 788
Tax Program:	Sales Tax	Author:	Transportation and Housing Committee
Sponsor:	Author	Code Sections:	RTC 6480.1
Related Bills:		Effective Date:	01/01/14

This analysis will only address the bill's provisions which impact the State Board of Equalization (BOE).

BILL SUMMARY

Among its provisions, this bill contains a technical, non-substantive correction to align rate setting dates for the jet fuel sales tax prepayment rate.

ANALYSIS

CURRENT LAW

Existing law¹ requires a supplier of gasoline, diesel fuel, or aircraft jet fuel to collect a sales tax prepayment from the retailer that buys the fuel. The BOE determines and sets the sales tax prepayment rates by March 1 of the same year as the effective date of the rates. BOE notifies every supplier, wholesaler, and retailer of gasoline, diesel fuel, and aircraft jet fuel by May 1. The adjusted prepayment rates are effective for the following July 1 through June 30.

In 2010, two “fuel tax swap” measures² changed the imposition and rates of state taxes on gasoline and diesel fuel, and required the BOE to determine the appropriate excise tax rate adjustments to maintain revenue neutrality. The gasoline tax changes became operative on July 1, 2010, and the diesel fuel tax changes became operative July 1, 2011.

The fuel tax swap provisions require the BOE to maintain revenue neutrality, so that the revenues derived from the increased gasoline excise tax and the increased diesel sales and use tax equals the revenues that would have been derived had the gasoline sales and use tax partial exemption and the diesel fuel excise tax reduction, respectively, not occurred.

The BOE determines the excise tax rate adjustments by March 1 of each year, and the adjusted rate applies on the following July 1.

PROPOSED LAW

This bill makes a technical, nonsubstantive change in order to correct a drafting error.

¹ Revenue and Taxation Code (RTC) Section 6480.1.

² [ABx8 6](#), (Ch. 11, Stats. 2010) and [SB 70](#) (Ch. 9, Stats. 2010). These provisions were reenacted in 2011 by [AB 105](#) (Ch. 6, Stats 2011).

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE’s formal position.

BACKGROUND

Last year the BOE sponsored legislation³ that aligned the sales tax prepayment dates with the fuel tax swap excise tax rate adjustment dates. There were two words in the jet fuel sales tax prepayment language that were inconsistent with the changes made to both the gasoline and diesel fuel provisions.

COMMENT

1. **Sponsor and Purpose.** This Senate Transportation and Housing Committee bill contains multiple, non-controversial changes to statutes so that the Legislature can make minor amendments in a cost-effective manner. The amendment to RTC Section 6480.1 is one such provision.
2. **BOE staff has no administrative concerns.** This clean-up to last year’s BOE sponsored bill is needed.

COST ESTIMATE

There are no costs related to this bill.

REVENUE ESTIMATE

There is no revenue impact related to this bill.

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Is			0788sb041813jc.doc

³ AB 2679 (Ch. 769, Stats. 2012), effective January 1, 2013.

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