

Memorandum

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 : February 7, 2013

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



Subject : **2013-14 Diesel Fuel Tax Rate For Interstate Users – component b**
(February 2013 Administrative Consent Calendar)

The Interstate Users – component b rate is set in accordance with Revenue and Taxation Code (R&TC) section 60116. Assembly Bill No. 2679, effective January 1, 2013, amended this section to provide that component b of the two component diesel fuel tax rate, as prescribed in R&TC section 60115, be set by the Board no later than March 1 with an effective date of July 1, 2013 and each year thereafter. 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 R&TC section 60050 and is adjusted on July 1 of each year in order to maintain revenue neutrality. This rate adjustment is also being presented for Board approval on this Administrative Consent Calendar but as a separate agenda item. The second component, component b, is the rate as prescribed by R&TC 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 January 31. The price of diesel fuel varied between approximately \$3.90 and \$4.50 per gallon in California during this period. The average price per gallon used in last year's computation was \$4.153 compared with this year's of \$4.231. The combined state and local sales tax rate for diesel fuel will be set at 9.44 percent (7.50 percent + 1.94 percent), on July 1, 2013.

I recommend the adoption of a diesel fuel tax rate for interstate users – component b of \$0.353 per gallon for 2013-14, an increase of \$0.008 over the current component b rate of \$0.345. The rate was developed as follows:

\$ 4.231	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 2/1/12 through 1/31/13.
- 0.110	Weighted average state excise tax rate.
4.121	Average price per gallon excluding state excise tax.
- 0.381	Sales tax amount included in average price per gallon (\$4.121/1.101891 = \$3.740. \$4.121 - \$3.740 = \$0.381).
3.740	Average price per gallon excluding state excise tax and sales tax.
x .0944	Combined state and local sales tax rate.
<u>\$ 0.353</u>	Second component of the interstate users' tax on diesel fuel.

Please place this item on the Board's February 2013 Administrative Consent Calendar for approval.

DJG:da

Approved:



Cynthia Bridges, Executive Director

BOARD APPROVED
at the _____ Board Meeting

Joann Richmond, Chief
Board Proceedings Division

cc: Mr. Mike Gipson
Mr. Joel Angeles
Mr. Alan LoFaso
Mr. Sean Wallentine

Ms. Marcy Jo Mandel
Ms. Joann Richmond
Ms. Lynn Bartolo
Ms. Debbie Kalfsbeek