State of California

Board of Equalization
Legislative and Research Division

Memorandum

To: Honorable Jerome E. Horton, Chairman
Senator George Runner (Ret.), Vice Chair
Honorable Fiona Ma, CPA, Second District
Honorable Diane L. Harkey, Fourth District
Honorable Betty T. Yee, State Controller

Date: February 3, 2016

From: Mark Durham, Manager
Research and Statistics Section

Subject: **2016-17 DIESEL FUEL TAX RATE FOR INTERSTATE USERS – COMPONENT B FEBRUARY 2016 – BOARD MEETING**

Diesel Fuel Tax Rate for Interstate Users – Component b. Revenue and Taxation Code (RTC) section 60116 requires the Board of Equalization to set the excise tax rate on diesel fuel used by interstate users on an annual basis no later than March 1st of each year. The excise tax rate on diesel fuel for interstate users is comprised of two components:

1. Diesel fuel excise tax rate
2. Component b tax rate

Component b 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 Component b rate is 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 January 31st. The average price per gallon for this year's compuatiaon is $2.962.

The computation prescribed in RTC section 60116 requires staff to exclude the state excise tax ($0.12) and sales tax ($0.263) from the average selling price of diesel fuel ($2.962) sold during the prior twelve-month period ending January 31st and determine the combined state and local sales tax in effect as of July 1 (7.5 and 1.75 percent[1]).

Staff recommends the adoption of a Diesel Fuel Tax Rate for Interstate Users – Component b of $0.240 per gallon for 2016-17, (a decrease of $.08 per gallon from the current Component b of $0.32) as follows:

$	2.962	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 2/1/2015 through 1/31/2016
	(0.120)	Weighted average state excise tax rate for the period 2/1/2015 through 1/31/2016
	2.842	Average price per gallon excluding state excise tax
	(0.263)	Sales tax amount included in average price per gallon (2.842/1.102065 = $2.58; $2.842- $2.58=$0.263)
	2.579	Average price per gallon excluding state excise tax and sales tax
	x 9.25%	Combined state and local sales tax rate
$	0.24	Component b of the interstate users' tax on diesel fuel

[1]/ Combined state and local sales tax rate of 7.5% and additional sales tax of 1.75% imposed on diesel pursuant to RTC 6051.8.

Please place this item on the Board's February 2016 Calendar under the Executive Director's Report for approval.

MD:bb:jm

cc: Ms. Shellie Hughes
Ms. Kari Hammond
Mr. Sean Wallentine
Mr. Jim Kuhl
Mr. Russell Lowery
Ms. Yvette Stowers
Ms. Cynthia Bridges
Ms. Michele Pielsticker
Ms. Joann Richmond
Ms. Lynn Bartolo
Mr. Richard Parrott

Recommendation by:

Mark Durham, Manager
Research and Statistics Section

Approved:

David J. Gau
Chief Deputy Director

Approved:

Joann Richmond, Chief
Board Proceedings Division

BOARD APPROVED

at the 2/23/16 Board Meeting