

Memorandum

To: Honorable Fiona Ma, CPA, Chairwoman
Honorable Diane L. Harkey, Vice Chair
Honorable George Runner, First District
Honorable Jerome E. Horton, Third District
Honorable Betty T. Yee, State Controller

Date: February 1, 2017

From: Mark Durham, Chief
Research and Statistics Section

Subject: **2017-18 DIESEL FUEL TAX RATE FOR INTERSTATE USERS – COMPONENT B
FEBRUARY 2017 – 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 computation is \$2.689.

The computation prescribed in RTC section 60116 requires staff to exclude the state excise tax (\$0.15) and sales tax (\$0.235) from the average selling price of diesel fuel (\$2.689) 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 (7.25 and 1.75 percent¹).

Staff recommends the adoption of a Diesel Fuel Tax Rate for Interstate Users – Component b of \$0.21 per gallon for 2017-18, (a decrease of \$.03 per gallon from the current Component b of \$0.24) as follows:

\$	2.689	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 2/1/2016 through 1/31/2017
		Weighted average state excise tax rate for the period 2/1/2016 through 1/31/2017
	<u>(0.15)</u>	
	2.539	Average price per gallon excluding state excise tax
	(0.235)	Sales tax amount included in average price per gallon (2.539/1.102192 = \$2.304; \$2.539- \$2.304=\$0.235)
	<u>2.304</u>	Average price per gallon excluding state excise tax and sales tax
	x 9.00%	Combined state and local sales tax rate
\$	<u>0.21</u>	Component b of the interstate users' tax on diesel fuel

¹/ Combined state and local sales tax rate of 7.25% and additional sales tax of 1.75% imposed on diesel pursuant to RTC 6051.8.

Please place this item on the Board's February 2017 Calendar under the Executive Director's Report for approval.

MD:bb:jm

cc: Ms. Genevieve Jopanda
Ms. Natasha Ralston Ratcliff
Mr. Russell Lowery
Mr. Sean Wallentine
Ms. Kari Hammond
Ms. Yvette Stowers
Mr. David Gau
Ms. Brenda Fleming
Ms. Susanne Buehler
Ms. Michele Pielsticker
Ms. Joann Richmond
Ms. Debbie Kalfsbeek
Mr. Richard Parrott

Recommendation by:



Mark Durham, Chief
Research and Statistics Section

Approved:



David J. Gau
Executive Director

Approved:



Joann Richmond, Chief
Board Proceedings Division

BOARD APPROVED

at the 2-22-17 Board Meeting