

For Immediate Release
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George Runner Calls for Cap on Rising Fuel Taxes

George Runner today called upon state lawmakers to limit fuel taxes Californians pay at the pump to the first \$4.00 per gallon.

“While taxes aren’t the only reason for rising fuel prices, they are part of the problem,” said Runner. “As fuel prices rise, California consumers are paying more tax for less gas.”

According to the latest [Energy Information Administration numbers](#), California consumers are paying \$4.38 per gallon of regular unleaded fuel, the highest price anywhere in the continental United States. Only residents of Hawaii pay more.

“These sky-high fuel prices contain hidden taxes that drive up the price we pay at the pump. Each and every time fuel prices rise, our taxes go up too,” said Runner. “It’s time we draw the line on any further increases.”

According to the [American Petroleum Institute](#), California's gasoline taxes and fees, averaging 67 cents per gallon, are tied with Connecticut's as the second highest in the nation. California's diesel taxes, averaging 75.9 cents per gallon, are the highest in the nation.

Among these taxes and fees are a federal excise tax of 18.4 cents per gallon, a state excise tax of 35.7 cents per gallon and a sales tax of 2.25% plus applicable local taxes. Notably, the sales tax is calculated on the total price of the fuel sale including excise taxes, resulting in double taxation—California consumers pay a tax on a tax.

For diesel, the federal excise tax is 24.4 cents per gallon, the state excise tax is 13 cents per gallon and the sales tax is 9.12% plus applicable local taxes.

According to Runner, since the sales tax is calculated per dollar spent rather than per gallon of fuel, government coffers receive an unanticipated windfall when fuel prices rise.

The latest official numbers support Runner's case. Even with lower levels of consumption, rising fuel prices have spurred fuel tax revenues to record levels. For instance, due to rising fuel prices the state collected \$61 million more in fuel tax revenues during second quarter of 2011 than during the second quarter of 2010 even though fuel consumption fell by 127 million gallons.

In 2010 the Legislature enacted a law requiring the State Board of Equalization to lower the sales tax on fuel and raise the excise tax by a corresponding amount. As a result the excise tax for motor vehicle fuel is currently 35.7 cents per gallon, but the BOE must readjust it annually to ensure "revenue neutrality." The rate is currently set to increase to 36 cents effective July 1.

Runner's proposal would cap the excise tax on motor vehicle fuel at 35.7 cents and limit sales tax to the first \$4.00 per gallon of gasoline. It would also cap diesel taxes at current levels.

Lew Uhler, founder and president of the National Tax Limitation Committee, endorsed Runner's proposal, saying, "Without limits, government always tries to take more and more of our money. It's time we said 'Enough is enough.' The double tax on gasoline – geared to price changes – creates a perverse windfall for the government big spenders precisely when rising gas prices hurt consumers most. Capping the gas tax will help California taxpayers keep more of their hard-earned dollars where they belong—in their own pockets."

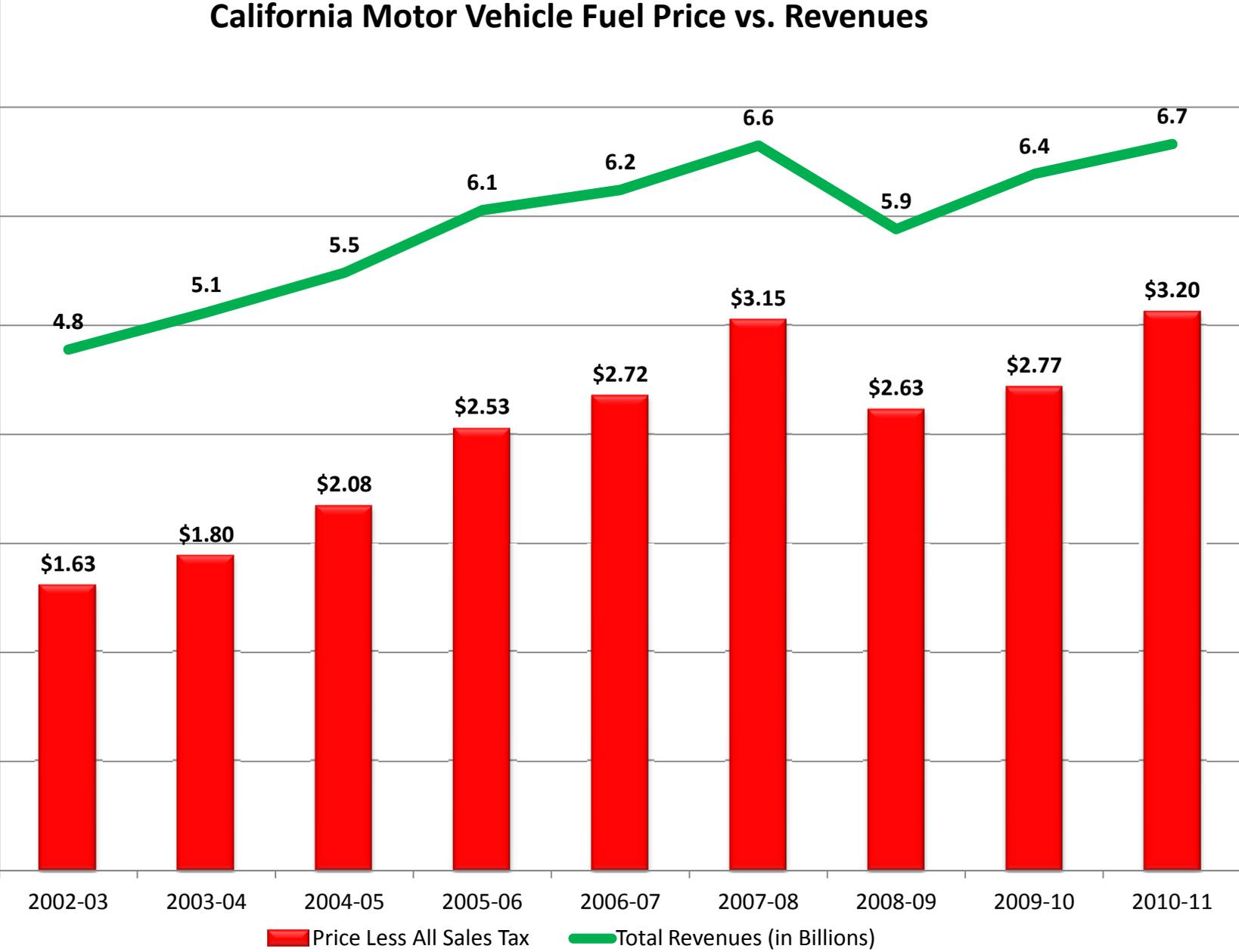
Runner concluded, "Capping fuel taxes could keep hundreds of millions of dollars in the pockets of California consumers, help consumer confidence and bolster California's economy. Even so, the state would still receive all of the fuel tax revenue the Governor was counting on in his January budget."

Governor Jerry Brown's budget projects average quarterly fuel prices of no greater than \$3.82 during the 2012-13 fiscal year.

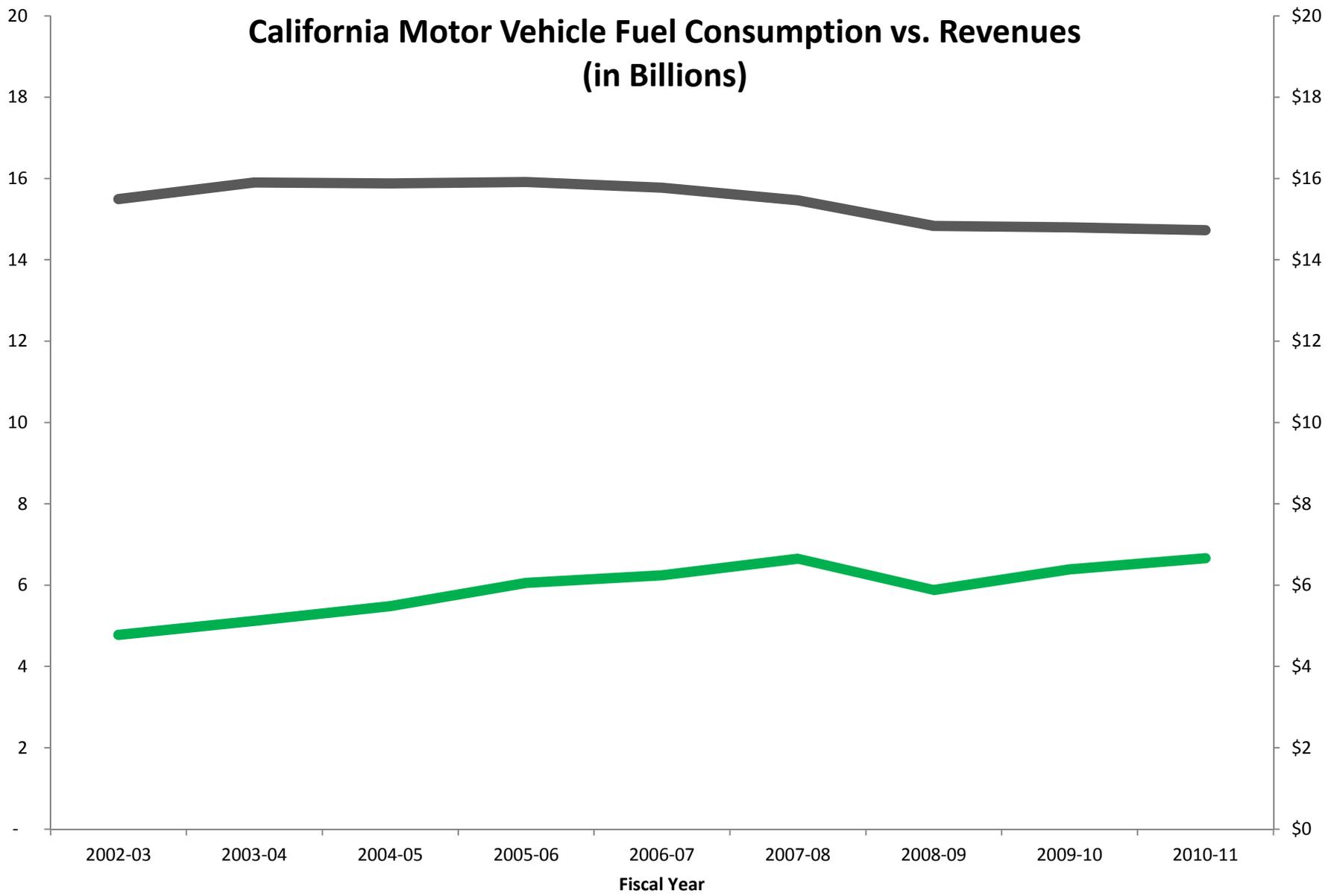
Runner indicated his office is preparing urgency legislation for possible consideration by the Legislature in the coming weeks.

Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information, visit www.boe.ca.gov/Runner.

California Motor Vehicle Fuel Price vs. Revenues



California Motor Vehicle Fuel Consumption vs. Revenues (in Billions)



— Gallonage — Total Revenues

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