An act to amend Section 7360 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL’S DIGEST

SB 321, as introduced, Beall. Motor vehicle fuel taxes: rates: adjustments.

Existing law, as of July 1, 2010, exempts the sale of, and the storage, use, or other consumption of, motor vehicle fuel from specified sales and use taxes and increases the excise tax on motor vehicle fuel, as provided.

Existing law requires the State Board of Equalization, for the 2011–12 fiscal year and each fiscal year thereafter, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, to adjust the motor vehicle fuel tax rate in a manner as to generate an amount of revenue equal to the amount of revenue loss attributable to the sales and use tax exemption on motor vehicle fuel, based on estimates made by the board. Existing law also requires, in order to maintain revenue neutrality, the board to take into account actual net revenue gain or loss for the fiscal year ending prior to the rate adjustment date. Existing law requires this determined rate to be effective during the state’s next fiscal year.

This bill would, for the 2015–16 fiscal year and each fiscal year thereafter, instead require the board, on or before July 1, 2015, or March 1 of the fiscal year immediately preceding the applicable fiscal year, as specified, to adjust the rate in a manner as to generate an amount of revenue equal to the average amount of revenue loss attributable to the
exemption over the next five fiscal years, based on estimates made by the board, and continuing to take into account adjustments required by existing law to maintain revenue neutrality. This bill would authorize, for rate adjustments made after January 1, 2015, in order to reduce the potential volatility of the revenues generated by the motor vehicle fuel tax, the board to make partial adjustments over 3 consecutive years to take into account the net revenue gain or loss of any fiscal year.

This bill would also authorize, if, due to clear changes in either fuel prices or consumption in the state, the board makes a determination that the amount of revenue being generated by the motor vehicle fuel tax will be significantly different than the estimates made by the board, the board to adjust the rate more frequently than annually, but no more frequently than quarterly in order to reduce the potential volatility of the revenues.

This bill would declare that it is to take effect immediately as an urgency statute.


The people of the State of California do enact as follows:

SECTION 1. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) (1) A tax of eighteen cents ($0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(2) If the federal fuel tax is reduced below the rate of nine cents ($0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents ($0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax
in Sections 7362, 7363, and 7364 in an amount equal to seventeen
and three-tenths cents ($0.173) per gallon.

(2) (A) For the 2011–12 fiscal year and each
thereafter, inclusive, the board shall, on or before March
1 of the fiscal year immediately preceding the applicable fiscal
year, adjust the rate in paragraph (1) in that manner as to generate
an amount of revenue that will equal the amount of revenue loss
attributable to the exemption provided by Section 6357.7, based
on estimates made by the board, and that rate shall be effective
during the state’s next fiscal year.

(B) For the 2015–16 fiscal year, the board shall, on or before
July 1, 2015, adjust the rate in paragraph (1) in that manner as
to generate an amount of revenue that will equal the average
amount of revenue loss attributable to the exemption provided by
Section 6357.7 over the next five fiscal years, based on estimates
made by the board, and that rate shall be effective during the
2015–16 fiscal year.

(C) For the 2016–17 fiscal year and each fiscal year thereafter,
the board shall, on or before March 1 of the fiscal year immediately
preceding the applicable fiscal year, adjust the rate in paragraph
(1) in that manner as to generate an amount of revenue that will
equal the average amount of revenue loss attributable to the
exemption provided by Section 6357.7 over the next five fiscal
years, based on estimates made by the board, and that rate shall
be effective during the state’s next fiscal year.

(3) In order to maintain revenue neutrality for each year,
beginning with the rate adjustment on or before March 1, 2012,
the adjustment under paragraph (2) shall also take into account the
extent to which the actual amount of revenues derived pursuant to
this subdivision and, as applicable, Section 7361.1, the revenue
loss attributable to the exemption provided by Section 6357.7
resulted in a net revenue gain or loss for the fiscal year ending
prior to the rate adjustment date on or before March 1. For rate
adjustments made after January 1, 2015, in order to reduce the
potential volatility of the revenues generated by the tax imposed
under this subdivision, the board may make partial adjustments
over three consecutive years to take into account the net revenue
gain or loss of any fiscal year.

(4) If, due to clear changes in either fuel prices or consumption
in the state, the board makes a determination that the amount of
revenue being generated by the tax imposed by this section will be significantly different than the estimates made by the board, the board may adjust the rate in paragraph (1) more frequently than annually, but no more frequently than quarterly in order to reduce the potential volatility of the revenues.

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding Chapter 6 of the Statutes of 2011, which added this subdivision and Section 6357.7, does not produce a net revenue gain in state taxes.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to avoid a significant and devastating decrease in the amount of funding available for the maintenance of California’s local streets and roads, it is necessary that this act take effect immediately.