

Introduced by Senator Grove

February 17, 2022

An act to amend Sections 7360 and 60050 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1156, as introduced, Grove. Motor Vehicle Fuel Tax: Diesel Fuel Tax: inflation adjustment.

Existing law, the Motor Vehicle Fuel Tax Law and Diesel Fuel Tax Law, impose a tax upon each gallon of motor vehicle fuel or diesel fuel removed from a refinery or terminal rack in this state, entered into this state, or sold in this state, at a specified rate per gallon. Existing law annually adjusts the rates of the taxes imposed by those laws based on inflation.

This bill would remove the requirement for future inflation adjustments of those taxes.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 7360 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 7360. (a) (1) A tax of eighteen cents (\$0.18) is hereby imposed
- 4 upon each gallon of fuel subject to the tax in Sections 7362, 7363,
- 5 and 7364.
- 6 (2) If the federal fuel tax is reduced below the rate of nine cents
- 7 (\$0.09) per gallon and federal financial allocations to this state for

1 highway and exclusive public mass transit guideway purposes are
2 reduced or eliminated correspondingly, the tax rate imposed by
3 paragraph (1), on and after the date of the reduction, shall be
4 recalculated by an amount so that the combined state rate under
5 paragraph (1) and the federal tax rate per gallon equal twenty-seven
6 cents (\$0.27).

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

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

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

22 (3) In order to maintain revenue neutrality for each year,
23 beginning with the rate adjustment on or before March 1, 2012,
24 the adjustment under paragraph (2) shall also take into account the
25 extent to which the actual amount of revenues derived pursuant to
26 this subdivision and, as applicable, Section 7361.1, the revenue
27 loss attributable to the exemption provided by Section 6357.7
28 resulted in a net revenue gain or loss for the fiscal year ending
29 prior to the rate adjustment date on or before March 1.

30 (4) The intent of paragraphs (2) and (3) is to ensure that the act
31 adding this subdivision and Section 6357.7 does not produce a net
32 revenue gain in state taxes.

33 (5) Commencing July 1, 2019, the adjustments in paragraphs
34 (2) and (3) shall cease, and the rate imposed by this subdivision
35 shall be the rate in paragraph (1).

36 (c) On and after November 1, 2017, in addition to the taxes
37 imposed by subdivisions (a) and (b), a tax is hereby imposed upon
38 each gallon of motor vehicle fuel, other than aviation gasoline,
39 subject to the tax in Sections 7362, 7363, and 7364, in an amount
40 equal to twelve cents (\$0.12) per gallon.

1 (d) On July 1, 2020, and ~~every July 1 thereafter~~, *July 1, 2021*,
2 the board shall adjust the taxes imposed by subdivisions (a), (b),
3 and (c), with the adjustment to apply to both to the base tax rates
4 specified in those provisions and to any previous adjustment in
5 rates made pursuant to this subdivision, by increasing the taxes by
6 a percentage amount equal to the increase in the California
7 Consumer Price Index, as calculated by the Department of Finance
8 with the resulting taxes rounded to the nearest one-tenth of one
9 cent (\$0.01). The first adjustment pursuant to this subdivision shall
10 be a percentage amount equal to the increase in the California
11 Consumer Price Index from November 1, 2017, to November 1,
12 ~~2019. Subsequent annual adjustments shall cover subsequent 12~~
13 ~~month periods. 2019, and the subsequent adjustment shall cover~~
14 *the subsequent 12-month period.* The incremental change shall be
15 added to the associated rate for that year.

16 (e) Any increases to the taxes imposed under subdivisions (a),
17 (b), and (c) that are enacted by legislation subsequent to July 1,
18 2017, shall be deemed to be changes to the base tax rates for
19 purposes of the California Consumer Price Index calculation and
20 adjustment performed pursuant to subdivision (d).

21 SEC. 2. Section 60050 of the Revenue and Taxation Code is
22 amended to read:

23 60050. (a) (1) A tax of sixteen cents (\$0.16) is hereby imposed
24 upon each gallon of diesel fuel subject to the tax in Sections 60051,
25 60052, and 60058.

26 (2) If the federal fuel tax is reduced below the rate of fifteen
27 cents (\$0.15) per gallon and federal financial allocations to this
28 state for highway and exclusive public mass transit guideway
29 purposes are reduced or eliminated correspondingly, the tax rate
30 imposed by paragraph (1) shall be increased by an amount so that
31 the combined state rate under paragraph (1) and the federal tax
32 rate per gallon equal what it would have been in the absence of
33 the federal reduction.

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

37 (b) On and after November 1, 2017, in addition to the tax
38 imposed pursuant to subdivision (a), an additional tax of twenty
39 cents (\$0.20) is hereby imposed upon each gallon of diesel fuel
40 subject to the tax in Sections 60051, 60052, and 60058.

1 (c) On July 1, 2020, and ~~every July 1 thereafter~~, *July 1, 2021*,
2 the State Board of Equalization shall adjust the taxes imposed by
3 subdivisions (a) and (b), with the adjustment to apply to both the
4 base tax rates specified in those provisions and to any previous
5 adjustment in rates made pursuant to this subdivision, by increasing
6 the taxes by a percentage amount equal to the increase in the
7 California Consumer Price Index, as calculated by the Department
8 of Finance with the resulting taxes rounded to the nearest one-tenth
9 of one cent (\$0.01). The first adjustment pursuant to this
10 subdivision shall be a percentage amount equal to the increase in
11 the California Consumer Price Index from November 1, 2017, to
12 November 1, ~~2019~~. ~~Subsequent annual adjustments shall cover~~
13 ~~subsequent 12-month periods. 2019, and the subsequent adjustment~~
14 ~~shall cover the subsequent 12-month period.~~ The incremental
15 change shall be added to the associated rate for that year.

16 (d) Changes to the taxes imposed under this section that are
17 enacted by legislation subsequent to July 1, 2017, shall be deemed
18 to be changes to the base tax rates for purposes of the California
19 Consumer Price Index calculation and adjustment performed
20 pursuant to subdivision (c).

21 SEC. 3. This act provides for a tax levy within the meaning of
22 Article IV of the California Constitution and shall go into
23 immediate effect.