

B I L L R E F E R R A L

2

DATE: January 9, 1989 COMMITTEE ACTION: _____

TO: Betty Masuoka, Finance DATE: _____

FROM: KENNETH EMANUELS, LEGISLATIVE REPRESENTATIVE

REPLY NO LATER THAN: Tuesday, January 24, 1989

A.B. 14 (Kelly) S.B. _____ Relating to motor vehicle fuel tax

STATUS:

Please review the attached measure to determine its effect upon the City of Sacramento and complete the following questions as appropriate. During your analysis of this measure, if questions arise, please feel free to contact Kenneth Emanuels at 442-0412. This questionnaire should be returned to the City Attorney's Office for presentation to the Council Committee on Law and Legislation. PLEASE LEAVE THE BILL ATTACHED TO THIS FORM.

If you think no Committee action on this bill should be taken, either because the bill is not of sufficient importance to the City or for any other reason, please mark here, do not fill out the rest of the form, and return this form to the City Attorney's Office. _____.

PLEASE TYPE YOUR RESPONSE

1. Briefly describe the provisions of the bill (attach additional sheets if necessary).

Increases gas tax (see bill for schedule).

2. Should this measure be: (Please circle desired position)

- Supported Opposed Supported if Amended
- Placed on Watch List Other (explain)

3. Please explain your reasons for the above determination, including how this measure effects your Department and the fiscal impact of this measure to the City. Please make your comments in a format that can be used in a letter to State officials. (Continue on next page or attach additional sheets if necessary.)

The additional revenue generated by the bill would increase state and local revenues available for street maintenance and construction.

ASSEMBLY BILL

No. 14

**Introduced by Assembly Member Kelley
(Coauthor: Senator Presley)**

December 5, 1988

An act to amend Section 7351 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 14, as introduced, Kelley. Taxation: motor vehicle fuel. Under the Motor Vehicle Fuel License Law, a license tax is imposed on the distribution of motor vehicle fuel (gas tax) at a rate of 9¢ per gallon, except that the rate is increased at any time that the federal rate is reduced below 9¢ per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, so that the combined state and federal tax rate equals 18¢ per gallon.

This bill would, commencing July 1, 1989, increase the rate of that tax to 12¢ per gallon, and would increase the rate by an additional 1¢ on July 1 of each of the 4 years thereafter.

The bill would provide for corresponding increases in the applicable state tax rate if the federal tax rate is reduced, so that the combined rate would continue to equal the rate of the state tax plus 9¢.

The bill would impose a tax for purposes of Article XIII A of the California Constitution.

The bill would take effect immediately as a tax levy.

Vote: 2/3. 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 7351 of the Revenue and
2 Taxation Code is amended to read:

3 7351. (a) (1) For the privilege of distributing motor
4 vehicle fuel, a license tax is hereby imposed upon
5 distributors at the rate of nine cents (\$0.09) for each
6 gallon of fuel distributed.

7 (2) Commencing July 1, 1989, that tax shall be imposed
8 at the rate of twelve cents (\$0.12) per gallon distributed.

9 (3) Commencing July 1, 1990, that tax shall be imposed
10 at the rate of thirteen cents (\$0.13) per gallon distributed.

11 (4) Commencing July 1, 1991, that tax shall be imposed
12 at the rate of fourteen cents (\$0.14) per gallon
13 distributed.

14 (5) Commencing July 1, 1992, that tax shall be imposed
15 at the rate of fifteen cents (\$0.15) per gallon distributed.

16 (6) Commencing July 1, 1993, that tax shall be imposed
17 at the rate of sixteen cents (\$0.16) per gallon distributed.

18 (b) If the federal fuel tax is reduced below the rate of
19 nine cents (\$0.09) per gallon and federal financial
20 allocations to this state for highway and exclusive public
21 mass transit guideway purposes are reduced or
22 eliminated correspondingly, each of the tax rate imposed
23 by this section rates specified in subdivision (a) shall, on
24 and after the July 1 following the date of the that
25 reduction, shall be increased by an amount so that the
26 combined state and federal tax rate equals eighteen cents
27 ~~(\$0.18)~~ per gallon to a rate which, when combined with
28 the new federal tax rate, equals the sum of the rate
29 specified in subdivision (a) plus nine cents (\$0.09). If any
30 person or entity is exempt or partially exempt from the
31 federal fuel tax at the time of a reduction, the person or
32 entity shall continue to be so exempt under this section.

33 SEC. 2. This act provides for a tax levy within the
34 meaning of Article IV of the Constitution and shall go into
35 immediate effect.

O