

California Transportation
Commission

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The Fuel Tax Swap

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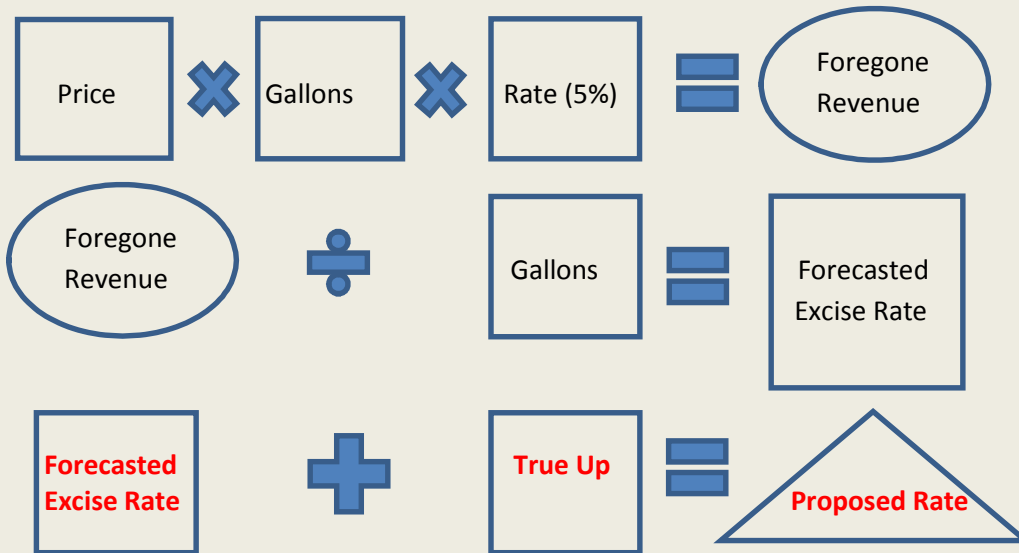
Chief Economist

Board of Equalization

Gas Tax Swap

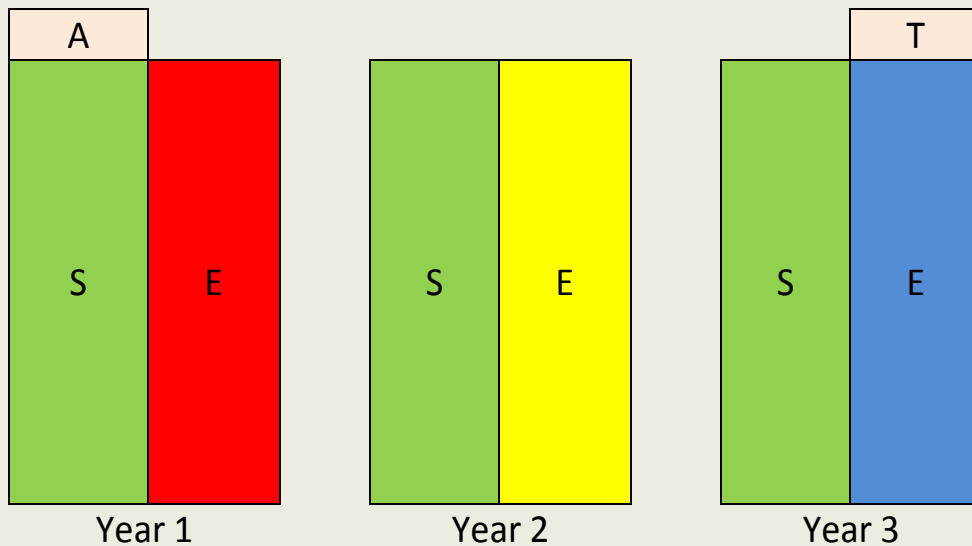
- SUT on gas became an excise tax
- 5% State rate portion
- Excise tax revenue neutral to the former SUT
- If gas prices go up, the rate must be adjusted up
- Annual true-up to previous FY
- Forecast of upcoming FY
- DOF Budget gallons forecast
- CA price forecast based on U.S. *IHS* (Formerly called *Global Insight*) gasoline price forecast
- Rate set annually by March 1
- Current FY 2013-14 rate: \$0.395/gallon
- FY 2014-15 rate to be \$0.36/gallon

Setting The Gas Tax Swap Rate



Underestimation Example

Fuel Tax Swap 3-Year Cycle

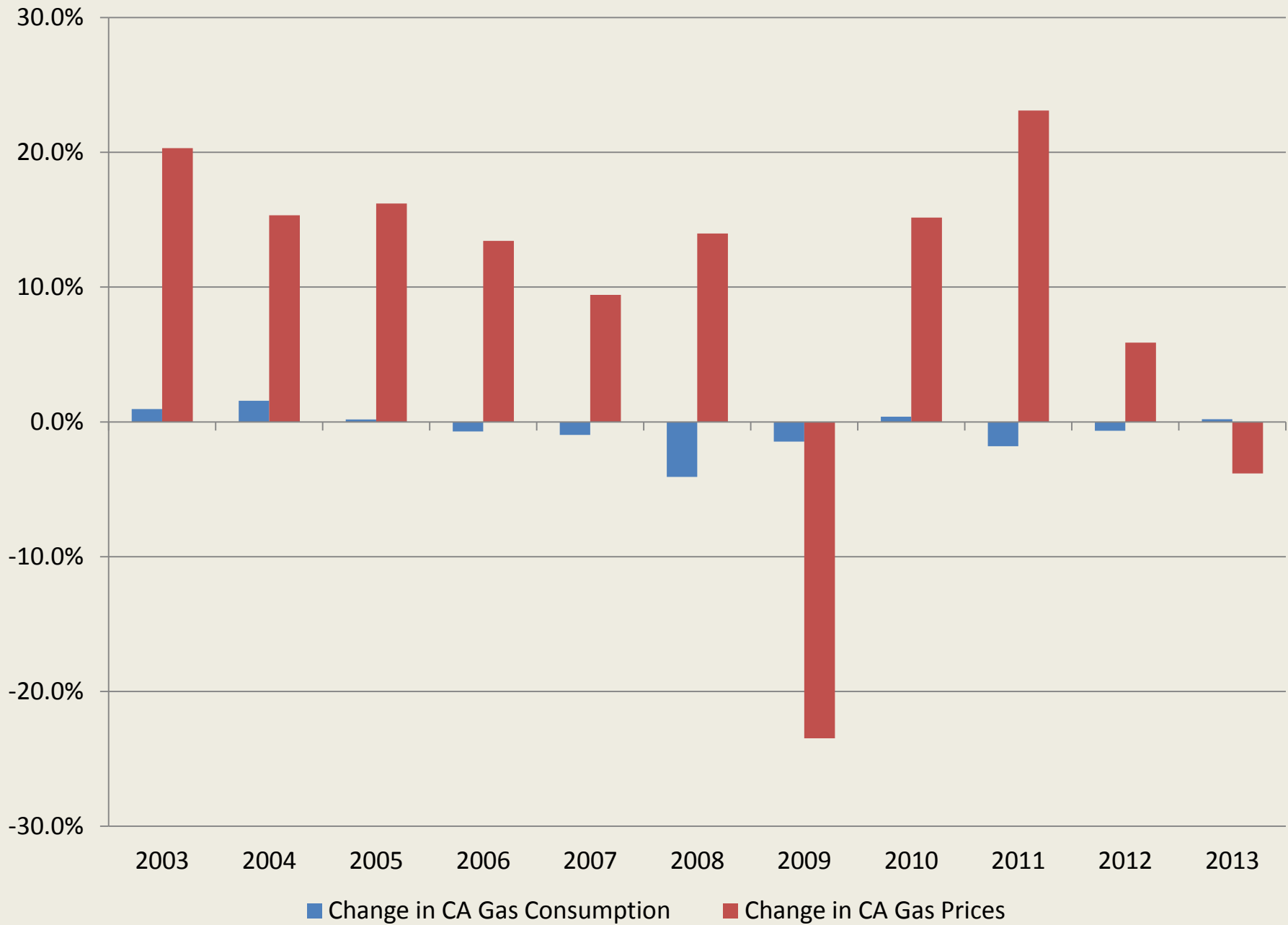


A=Additional Sales Taxes Above Estimate
T=True-Up Adjustment (Equal to "A")
S=Projected Sales Tax (Foregone Revenue)
E=Excise Tax

Gas Tax Swap Calculations

Table 1
Summary of Preliminary 2014-15 Gas Tax Swap Calculations
(Dollars In Millions, except as noted)

	Fiscal Year		
	2012-13	2013-14	2014-15
Gas Excise Tax Rate Calculations			
Estimated Gallons Purchased (Billions)	14.489	14.392	14.295
New Excise Tax Rate Per Gallon (\$)	0.180	0.215	0.180
Existing Base Rate (\$)	0.180	0.180	0.180
Total Excise Tax Rate (\$)	0.360	0.395	0.360
Difference From Prior Year (\$)	0.003	0.035	(0.035)
Revenue Neutrality for Gas Tax			
Sales Tax Revenues Eliminated (\$ Millions)	\$ 2,652	\$ 2,539	\$ 2,388
New Gas Excise Tax Revenues (\$ Millions)	\$ 2,608	\$ 3,094	\$ 2,576
Difference (\$Million)	\$ (44)	\$ 555	\$ 188
Cumulative Difference (\$Million)	\$ (188)	\$ 367	\$ 555



Diesel Tax Swap

- Excise tax on diesel became a SUT “add-on” tax rate
- Revenue neutral to excise tax
- Annual true-up to previous FY
- Forecast of upcoming FY
- DOF Budget gallons forecast
- DOF price forecast

Diesel Tax Swap Calculations

Diesel Calculations			
Fiscal Year 2014-15			
(Dollar in Millions, except as noted)			
	2012-13	2013-14	2014-15
Sales Tax Rate	2.17%	1.94%	1.75%
Gallorage (Billions)	2.41	2.46	2.51
Total Sales	\$8,887	\$8,558	\$8,940
Additional Revenue	\$192.9	\$166.0	\$156.5
Estimated Excise Tax Gallons (billions)	2.59	2.64	2.69
Excise Tax Reduction rate (\$)	\$0.08	\$0.08	\$0.07
Excise Tax Reduction	207.0	211.2	177.9
<i>Excise Tax Rate</i>	\$0.10	\$0.10	\$0.11
Revenue Neutrality for Diesel Tax			
Sales Tax Revenues Increase	\$192.9	\$166.0	\$156.5
Diesel Excise Tax Revenues Eliminated	\$207.0	\$211.2	\$177.9
Difference (\$)	14.1	45.1	21.4
Cumulative Difference (\$)	-21.4	23.7	45.1

Questions???