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Hidden Cost of Gas Tax Legislation!

By Jon Coupal

For the last three weeks this column has focused on both the policies and politics of the \$5.2 billion annual transportation tax increase. In the unlikely event that some have forgotten — or were on another planet — the taxes include a substantial hike in the car tax as well as a 12 cent increase in the gas tax.

However, as one might hear in a low-budget, late-night television ad, “But wait, there’s more!” Specifically, the gas-tax hike which politicians tell us is 12 cents per gallon — which is bad enough — in actuality could be as high as 19 cents gallon. How is that possible?

The explanation is a bit complicated but important to understand. It involves a convoluted process known as the “gas tax swap” passed by the Legislature and implemented by the California Board of Equalization in 2010. The gas tax swap eliminated the state sales tax on gasoline and replaced it with what was supposed to be a revenue-neutral per-gallon excise tax. This made it more legally defensible for the state to repay Proposition 1B transportation bond debt when California was in the midst of recession. The BOE was tasked with adjusting the numbers every year in a “backward looking” process so that California would collect no more revenue from the excise tax than it would have collected from the sales tax had it not been eliminated.

But here’s the kicker: The tax hike just jammed through the Legislature in less than one week by Senate Bill 1 contains a provision that, beginning in July of 2019, adjusts the base excise tax to what it was in July 2010 when the gas tax swap started. Currently, the excise tax on gas is 27.8 cents a gallon. But in July of 2010 it was 35.3 cents a gallon. So as it stands right now, that’s a seven cents per gallon increase, on top of the new 12 cents per gallon tax.

Magically, the 12-cent gas tax increase will likely be a 19-cent-per-gallon increase. And, of course, that entire 47 cents per gallon excise tax (35.3 + 12 cents) will be adjusted annually for inflation beginning Jan. 1, 2020 under SB1. If this seems complicated and hard to understand, keep in mind that the politicians like it that way.

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But wait! There's more!

If one adds up all the hidden government costs, fees and taxes that California may soon impose on gasoline, drivers can expect to pay close to two dollars more than the national average. And politicians wonder why people are leaving.

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