

Gas Tax ... [REDACTED]

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Inbox

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Hello, I'm David Douglas. Today on community comment I want to look at 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 registration cost 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.

under an overall cap. California's regulations already add substantial costs to gasoline even though those costs do not show up as a separate item at the pump.

The "cap and trade" law was just recently upheld by the California Court of Appeal against a Proposition 13 challenge (as a tax and not a fee) and is now on its way to the Supreme Court. But the law expires in 2020 and the biggest political battle in Sacramento right now is what will replace the old regulations.

Assemblyman Vince Fong, R-Bakersfield, an opponent of Senate Bill 1 and proponent of an alternative transportation funding plan that does not raise taxes, asked the Legislative Analyst's Office what the impact of various replacement scenarios would have on the price of gasoline. The answer was shocking.

Under the less costly scenario, cap and trade would raise gas prices by an estimated 15 cents per gallon in 2021, increasing to 24 cents per gallon in 2031. Under the more costly scenario, cap-and-trade would raise gas prices by an estimated 63 cents per gallon in 2021, increasing to 73 cents per gallon in 2031.

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.

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.

But wait! There's more!

California's response to climate change is what is known as a "cap and trade" system by which generators of carbon emissions can trade emission allowances