An act to amend Sections 7360 and 60050 of the Revenue and Taxation Code, and to add and repeal Section 2108.2 of the Streets and Highways Code, relating to transportation, and making an appropriation therefor.
THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) (1) A tax of eighteen cents ($0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.
(2) If the federal fuel tax is reduced below the rate of nine cents ($0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents ($0.27).
(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents ($0.173) per gallon.
(2) For the 2011–12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by Section 6357.7, based on estimates made by the board, and that rate shall be effective during the state’s next fiscal year.
(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, Section 7361.1, the revenue loss attributable to the exemption provided by Section 6357.7 resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.
(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Section 6357.7 does not produce a net revenue gain in state taxes.
(5) Commencing July 1, 2019, the adjustments in paragraphs (2) and (3) shall cease, and the rate imposed by this subdivision shall be the rate in paragraph (1).

(c) On and after November 1, 2017, in addition to the taxes imposed by subdivisions (a) and (b), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364, in an amount equal to twelve cents ($0.12) per gallon.
(d) (1) On July 1, 2020, and every July 1 thereafter, the board shall adjust the taxes imposed by subdivisions (a), (b), and (c), with the adjustment to apply to both to the base tax rates specified in those provisions and to any previous adjustment in rates made pursuant to this subdivision, by increasing the taxes by a percentage amount equal to the increase in the California Consumer Price Index, as calculated by the Department of Finance with the resulting taxes rounded to the nearest one-tenth of one cent ($0.01). The first adjustment pursuant to this subdivision shall be a percentage amount equal to the increase in the California Consumer Price Index from November
1, 2017, to November 1, 2019. Subsequent annual adjustments shall cover subsequent 12-month periods. The incremental change shall be added to the associated rate for that year.

(2) Notwithstanding any law, the adjustment to the tax rates, as described in paragraph (1), scheduled for July 1, 2022, shall not be applied. The tax rates shall remain at the July 1, 2021, level until June 30, 2023. On July 1, 2023, the rates shall be adjusted to reflect the increase in the California Consumer Price Index from November 1, 2020, to November 1, 2022, inclusive, and subsequent annual adjustments representing 12-month periods shall resume as described in paragraph (1).

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

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

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

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

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

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

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

(2) Notwithstanding any law, the adjustment to the tax rates, as described in paragraph (1), scheduled for July 1, 2022, shall not be applied. The tax rates shall remain at the July 1, 2021, level until June 30, 2023. On July 1, 2023, the rates shall be adjusted to reflect the increase in the California Consumer Price Index from November 1, 2020, to November 1, 2022, inclusive, and subsequent annual adjustments representing 12-month periods shall resume as described in paragraph (1).

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

SEC. 3. Section 2108.2 is added to the Streets and Highways Code, to read:

2108.2. (a) The revenue allocations and transfers made pursuant to subdivision (a) of Section 2103, and Sections 2103.1, 2104, 2105, 2106, and 2107 shall be adjusted upward for the twelve monthly apportionment and transfer periods from August 2022 through July 2023, inclusive, to reflect the additional amount that would have been allocated or transferred if revenue collected on fuel sales occurring between July 1, 2022, and June 30, 2023, pursuant to Sections 7360 and 60050 of the Revenue and Taxation Code, and deposited to the credit of the Highway Users Tax Account, were increased by 5.6 percent.

(b) The increases in the allocations and transfers described in subdivision (a) shall be made from revenues in the Highway Users Tax Account that would otherwise be transferred to the State Highway Account pursuant to Section 2108.

(c) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.
LEGISLATIVE COUNSEL’S DIGEST

Bill No.,
as introduced, _____.

(1) 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 pause the inflation adjustment scheduled for July 1, 2022, until July 1, 2023, as described.

(2) Article XIX of the California Constitution restricts the use of fuel excise tax revenues imposed by the state on fuels used in motor vehicles upon public streets and highways to expenditure on highway and certain mass transit purposes. Existing law provides for the deposit of these revenues in the Highway Users Tax Account, and appropriates those revenues to various purposes. Existing law requires the Controller to allocate the portion of the revenues in the account that is derived from increases in the motor vehicle fuel excise tax beginning in 2010 for certain purposes including for specified state transportation programs and city and county streets and roads. After those allocations are made, existing law provides for apportionment by the Controller of moneys in the account to cities and counties and requires the remaining moneys in the account, after various other transfers, to be transferred to the State Highway Account for state transportation purposes. Existing law also separately requires the portion of the revenues in the account that is derived from the 2017 increases in the motor vehicle fuel and diesel fuel excise taxes to be transferred to the Road Maintenance and Rehabilitation Account, which is continuously appropriated in part, and the Trade Corridors Enhancement Account.

This bill would increase the allocations to cities and counties and the allocations and transfers of the 2010 and 2017 fuel excise tax increases from the account by 5.6% for a period of 12 months beginning in August 2022, as specified. The bill would specify that the increases in the allocations and transfers shall be made from revenues in the account that would otherwise be transferred to the State Highway Account. By increasing the amount of the allocations to cities and counties and the amount transferred to the Road Maintenance and Rehabilitation Account, the bill would make an appropriation.