



## California's Gas Tax Nightmare

By George Runner

California taxpayers don't have to fall asleep to have a nightmare. They experience one each and every day when they encounter a costly, confusing and constantly-changing tax system. Unfortunately, most efforts to change this system only make matters worse.

Take the gas tax, for instance.

California consumers currently pay 71 cents per gallon in taxes every time they fill up their tanks. That's the highest gas tax rate in the country. The average American pays less—about 50 cents per gallon. That translates into hundreds of dollars a year in higher taxes for Californians.

Adding insult to injury, Californians are double taxed for gas. Sales tax is calculated after excise taxes have already been added. That means we pay a tax on a tax, which is just plain wrong.

Double taxation aside, most California motorists wouldn't mind paying high gas taxes if it meant we could drive the nation's finest roads. But that's not how things work. Instead of seeing our tax dollars invested wisely, we're constantly told we should pay more. Our freeway system, once the envy of the world, has become an embarrassment.

Further complicating matters, in 2010 the Governor and Legislature adopted a convoluted gas tax scheme over my objections. This scheme, known as the "fuel tax swap," is so confusing even tax experts have a hard time understanding it.

Lawmakers didn't adopt this scheme to make taxes simpler; they did it to move about a billion dollars to the general fund.

Although the Board of Equalization (BOE) didn't create the formula, we at the BOE have to live with it. Each year we must adjust the fuel tax rate to ensure the state receives neither more nor less revenue than it would have under the prior tax system.

A silver lining to this complicated system is that it can produce a tax decrease when gas prices fall.

That's what happened this year. On February 25, my fellow Board members and I voted to lower the gasoline excise tax 3.5 cents per gallon as of July 1, 2014.

Our vote is good news for taxpayers. This much-needed tax relief will arrive as Californians are on the road for summer vacations.

Lower gas taxes are good for our economy and good for jobs, but even after this cut takes effect Californians will continue to pay one of the highest tax rates in the nation.

Unfortunately, some in the Legislature want you to pay more taxes, rather than less. Senate Pro Tem Darrell Steinberg has proposed a new "carbon tax" that would raise the taxes you pay on gas by 15 cents per gallon next year and up to 43 cents by 2030.

Steinberg argues his new tax would actually be a better deal for motorists, since they already face rising gas prices as a result of the anti-global warming bill AB 32's cap and trade requirements. His proposal would impose a direct tax in place of the indirect one set to start next year, while also providing an earned income tax credit to low income Californians.

In a surprisingly frank confession, Steinberg said, "For climate policy to work, it has to sting. I am concerned about who we sting."

In other words, if you're not already poor, politicians want to raise your gas taxes enough that you'll stop driving your car and start riding mass transit.

Rather than plotting to raise taxes at a time when the state is already awash in cash, lawmakers should be finding ways to simplify our tax laws, reduce taxes and make life easier for California taxpayers.

Taxes are hard enough to accept, but when they can't be simply explained and the money is wasted, it erodes public confidence.

Lawmakers could start by scrapping the current confusing and complicated gas tax formula and replacing it with one that is simple, straightforward and easy to understand.

Taxpayers deserve a tax system they can understand and won't take them by surprise. People have the right to know how much they're paying and where those dollars are going.

California is a great place to live and work. There's no reason our tax system needs to be a nightmare.

*George Runner represents more than nine million Californians as a taxpayer advocate and elected member of the State Board of Equalization. For more information, visit [boe.ca.gov/Runner](http://boe.ca.gov/Runner)*