Revenue Estimates

The revenue estimates reflect continued poor national and state economic conditions as California continues to face the most serious downturn since the Great Depression. While the broad-based and severe decline in the global, national and state economies has largely stabilized, a general economic upturn is not yet in evidence. Some selected positive indicators are apparent in the economic landscape. The stock market has shown signs of recovery and employment reports indicate a moderating of job losses. Nevertheless, the economy remains hampered by substantial weaknesses in key sectors, especially real estate and finance. These soft areas, coupled with tight credit markets, continue to have a dampening impact on employment growth, household income and consumer spending. As a result, the state's major three revenues sources —the personal income tax, sales and use tax and corporation tax—will continue to be hampered during the budget year.

General Fund revenues in 2009-10 are now expected to total $88.1 billion, $1.5 billion below the estimate at the time of the amended 2009 Budget Act. For 2010-11, revenues without proposed policy changes or other solutions are expected to increase slightly to $90.9 billion, a 3.2-percent increase from 2009-10. After the proposed transportation tax changes are included, revenues are estimated to be $89.3 billion in the budget year. Absent the policy changes adopted in 2008 and 2009, revenues for 2010-11 would be $81.8 billion.

Major Revenue Proposal

- Transportation Tax Changes

Figure REV-01

2010-11 Governor's Budget Estimate
General Fund Revenue Forecast
Summary Table
Reconciliation with 2009-10 July Amended Budget

(Dollars in Millions)

Source	July Amended Budget	Governor's Budget	Change Between Forecasts	
Fiscal 08-09				
Personal Income Tax	$45,275	$43,376	-$1,899	-4.2%
Sales & Use Tax	24,612	23,753	-859	-3.5%
Corporation Tax	9,783	9,536	-247	-2.5%
Insurance Tax	2,041	2,054	13	0.6%
Vehicle License Fees	360	216	-144	-40.0%
Estate Tax	0	0	0	---
Alcoholic Beverage	326	324	-2	-0.6%
Cigarette	104	107	3	2.9%
Other Revenues	549	2,380	1,831	333.5%
Transfers	1,048	1,026	-22	2.1%
Total	**$84,098**	**$82,772**	**-$1,326**	-1.6%
Fiscal 09-10				
Personal Income Tax	$48,868	$46,640	-$2,228	-4.6%
Sales & Use Tax	27,609	26,036	-1,573	-5.7%
Corporation Tax	8,799	9,407	608	6.9%
Insurance Tax	1,913	1,952	39	2.0%
Vehicle License Fees	1,657	1,386	-271	-16.4%
Estate Tax	0	0	0	---
Alcoholic Beverage	332	332	0	0.0%
Cigarette	102	102	0	0.0%
Other Revenues (a)	-268	1,800	2,068	-771.6%
Transfers	529	428	-101	-19.1%
Total	**$89,541**	**$88,083**	**-$1,458**	-1.6%
Change from Fiscal 08-09	$5,443	$5,311		
% Change from Fiscal 08-09	6.5%	6.4%		
Fiscal 10-11				
Personal Income Tax	$47,968	$46,862	-$1,106	-2.3%
Sales & Use Tax	28,980	25,851	-3,129	-10.8%
Corporation Tax	9,027	10,052	1,025	11.4%
Insurance Tax	1,936	1,897	-39	-2.0%
Vehicle License Fees	1,690	1,472	-218	-12.9%
Estate Tax (b)	0	892	892	---
Alcoholic Beverage	336	354	18	5.4%
Cigarette	100	101	1	1.0%
Other Revenues	1,936	2,367	431	22.3%
Transfers	-696	-526	170	-24.4%
Total	**$91,277**	**$89,322**	**-$1,955**	-2.1%
Change from Fiscal 09-10	$1,736	$1,239		
% Change from Fiscal 09-10	1.9%	1.4%		
Three-Year Total			**-$4,739**	

(a) July 2009 included a revenue stress adjustment of -$1.8 billion in 2008-09 and -$3 billion in 2009-10 in recognition of weak June 2009 cash receipts for the Majors.

(b) Under current federal law, the Estate Tax, which the state's pick-up tax is tied to, is scheduled to be re-instated for deaths occuring on or after January 1, 2011.

Figure REV-01 displays the forecast changes between the Amended 2009 Budget Act and the Governor's 2010 Budget. The Governor's Budget forecast was prepared in early December, before individuals and corporations made final withholding and estimated payments for the 2009 tax year, and before consumers completed their December purchases. These critical December and January receipts can have a large impact on state revenues. This forecast will be revised in early May when these data and April income tax receipts are available.

The state's tax system is outlined in Figure REV-02. Tax collections per capita and per $100 of personal income are displayed in Schedule 2 in the Appendix. The revenue generated from each state tax from 1970-71 through 2010-11 is displayed in Schedule 3 in the Appendix.

Major Revenue Proposals

The following tax law change is proposed:

- The state General Fund portion of sales tax on motor vehicle gasoline is proposed to be eliminated beginning July 1, 2010. Under current law, this rate is temporarily set at 6 percent in 2010-11 and is scheduled to return to 5 percent in 2011-12. Also, the 4.75-percent sales tax rate on diesel fuel is proposed to be eliminated beginning July 1, 2010, with the entire state General Fund portion eliminated beginning July 1, 2011. This will result in a total reduction of an estimated $2.844 billion in sales taxes in 2010-11, of which $1.573 billion is General Fund revenue. An estimated $1.868 billion of excise taxes on fuels will be raised by increasing the per-gallon rate from 18 cents to 28.8 cents to replace funding on highways and roads currently funded from the sales tax on gasoline and provide funding to offset highway bond debt service. This results in a net reduction of $976 million, or nearly 6 cents per gallon at the pump. This measure provides benefit to the General Fund in two ways:
    - $603 million is used to offset General Fund debt service on the highway bonds (see Business, Transportation and Housing section).
    - Reduced General Fund revenues result in a lower Proposition 98 guarantee (see Proposition 98 section).

Figure REV-02
Outline of State Tax System
as of January 1, 2010

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	$0.20	Equalization	General
Distilled Spirits	Gallon	$3.30	Equalization	General
Dry Wine/Sweet Wine	Gallon	$0.20	Equalization	General
Sparkling Wine	Gallon	$0.30	Equalization	General
Hard Cider	Gallon	$0.20	Equalization	General
Corporation:				
General Corporation	Net income	8.84% [1]	Franchise	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alt. Taxable Income	6.65% [1]	Franchise	General
Tobacco:				
Cigarette	Package	$0.87 [2]	Equalization	See below[2]
Other Tobacco Products	Wholesale cost	41.11% [3]	Equalization	See below[3]
Energy Resources Surcharge	Kilowatt hours	$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License	Amount wagered	0.4-2.0%	Horse Racing Bd.	See below[4]
Estate	Taxable Fed. Estate	0% [6]	State Controller	General
Insurance				
Insurers	Gross Premiums	2.35% [7]	Insurance Dept.	General
Medi-Cal managed care plans	Operating Revenues	2.35%	Health Care Services	See below[5]
Liquor License Fees	Type of license	Various	Alc. Bev. Control	General
Motor Vehicle:				
Vehicle License Fees (VLF)	Market value	0.65% [8]	DMV	Motor VLF, Local Revenue[9]
Fuel—Gasoline	Gallon	$0.18	Equalization	Motor Vehicle Fuel[10]
Fuel—Diesel	Gallon	$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	$56.00	DMV	Motor Vehicle[11]
Weight Fees	Gross Vehicle Wt.	Various	DMV	State Highway[12]
Personal Income	Taxable income	1.0-9.3% [15]	Franchise	General
Proposition 63 Surcharge	Taxable income > $1 million	1.0%	Franchise	Mental Health Services
Alternative Minimum Tax	Alt. Taxable Income	7.0% [15]	Franchise	General
Private Railroad Car	Valuation	[13]	Equalization	General
Retail Sales and Use	Sales or lease of taxable item	6.75% [14]	Equalization	See below[14]

[1] Min. tax $800 per year for existing corporations. New corporations are exempt from the min. tax for the first two years.
[2] This tax is levied at the combined rate of 10 cents/pack of 20 cigarettes for the General Fund, 25 cents/pack for the Cigarette and Tobacco Products Surtax Fund, 2 cents/pack for the Breast Cancer Fund, and 50 cents/pack for the California Children and Families First Trust Fund.
[3] A tax equivalent to the tax on cigarettes. The rate reflects the 50 cents/pack established by the California Children and Families First Initiative, with funding for Cigarette and Tobacco Products Surtax Fund and California Children and Families First Trust Fund.
[4] The Fair and Exposition Fund supports county fairs and other activities, the Satellite Wagering Account funds construction of Satellite Wagering Facilities and health and safety repairs at fair sites. Wildlife Restoration Fund and General Fund also receive monies.
[5] Insurance tax on Medi-Cal managed care plans in 2009 and 2010, pursuant to Chapter 157, Statutes of 2009 (AB 1422), to provide interim funding for the Healthy Families and Medi-Cal programs. Tax receipts collected pursuant to Chapter 157 are available for a specific purpose and are required to be deposited into the Children's Health and Human Services Special Fund
[6] The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. As part of this, the Act eliminates the State pick-up tax beginning in 2005. The federal Act sunsets after 2010; at that time, the federal estate tax will be reinstated along with the State's estate tax, unless future federal legislation is enacted.
[7] Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.
[8] Department of Motor Vehicles. Beginning January 1, 1999, vehicle owners paid only 75 percent of the calculated tax, and the remaining 25 percent (offset percentage) was paid by the General Fund. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35-percent offset through June 30, 2001, and provided for an additional 32.5-percent reduction, which was returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF offset was set at 67.5 percent. From June 30, 2003, through November 18, 2003, the VLF reduction was suspended. On November 17, 2003, Governor Schwarzenegger rescinded the suspension, thereby reinstating the offset. Effective January 1, 2005, the VLF rate is 0.65 percent. The 2009-10 Budget enacted in February 2009 temporarily increased the VLF rate to 1.15 percent with 0.35 percent of the 0.5 percent increase going to the General Fund and the remaining 0.15 perent going to local law enforcement. This increase will remain in effect from May 19, 2009, to July 1, 2011.
[9] For return to cities and counties. Trailer coach license fees are deposited in the General Fund.
[10] For administrative expenses and apportionment to State, counties and cities for highways, airports, and small craft harbors.
[11] For support of State Department of Motor Vehicles, California Highway Patrol, other agencies, and motor vehicle related programs.
[12] For State highways and State Department of Motor Vehicles administrative expense. Chapter 861, Statutes of 2000, replaced the fee schedule for trucks, based on the unladen weight of commercial trucks and trailers, with a new schedule based on the gross weight capacity of trucks alone, in order to comply with the International Registration Plan standards. Chapter 719, Statutes of 2003, increased weight fees to achieve revenue neutrality as specified in Chapter 861.
[13] Average property tax rate in the State during preceding year.
[14] Includes a 6 percent rate for the State General Fund, a 0.25 percent rate for the Economic Recovery Fund, and a 0.50 percent rate fo the Local Revenue Fund. The General Fund tax rate increased by 1% (from 5% to 6%) temporarily from April 1, 2009 through June 30, 2011
[15] For the 2009 and 2010 tax years, the marginal rates have been temporarily increased and range from 1.25 percent to 9.55 percent and the alternative minimum tax has been temporarily increased to 7.25 percent.

General Fund Revenue

General Fund 2010-11 revenues and transfers represent 76 percent of total revenues reported in the Governor's Budget. The remaining 24 percent consists of special fund revenues dedicated to specific programs. The revenue estimates noted in the following discussion include the impact of the transportation tax proposal noted above under "Major Revenue Proposal" as well as $85 million in 2009-10 and $101 million in 2010-11 from increased efforts to collect under existing law.

Percent of General Fund Revenues and Transfers

Personal income tax	52.5 percent
Sales and use taxes	28.9 percent
Corporation tax	11.3 percent
All other	7.3 percent

Personal Income Tax

The personal income tax is the state's largest single revenue source, accounting for 52.5 percent of all General Fund revenues and transfers in 2010-11. After a steep drop in the prior fiscal year, income tax revenues are expected to increase by 7.5 percent in 2009-10. An additional increase of about one-half percent is expected for 2010-11. Revenues in 2009-10 reflect various revenue accelerations as well as $4.15 billion from the combined impact of the reduction in the dependent exemption credit and the 0.25-percent surcharge in the personal income tax. Two of the temporary revenue increases, the reduction in the dependent credit and the personal income tax surcharge, expire December 31, 2010.

Personal Income Tax Revenue (In Billions)

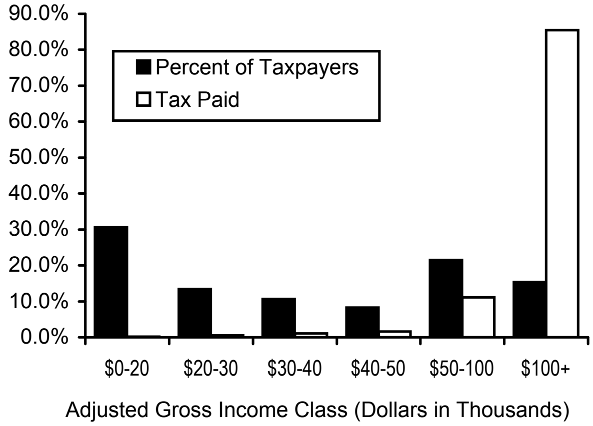
2008-09	$43.376
2009-10 (Forecast)	$46.640
2010-11 (Forecast)	$46.862

Modeled closely on the federal income tax law, California's personal income tax is imposed on net taxable income: that is, gross income less exclusions and deductions. The tax rate structure is steeply progressive over much of the income spectrum, with rates ranging from 1 percent to 9.3 percent. For the 2009 and 2010 tax years, the marginal rates have been temporarily increased and range from 1.25 percent to 9.55 percent. Figure REV-03, which shows the percent of total returns and tax paid by adjusted gross income class, illustrates the shares of the tax paid by various income classes. In 2007, the top 15.4 percent of state taxpayers, those with adjusted gross incomes (AGI) over $100,000, paid 85.4 percent of the personal income tax. The top 1 percent of state taxpayers, those with AGI over $500,000, paid

Figure REV-03

Percent of Taxpayers and Percent of Tax Paid by Adjusted Gross Income Class

2007 State Tax Data



48 percent of the personal income tax. As a result of the tax bracket structure and distributions of tax liability, changes in the income of a relatively small group of taxpayers can have a significant impact on state revenues.

Income ranges for all tax rates are adjusted annually by the change in the California Consumer Price Index. This prevents taxpayers from moving into higher tax brackets because of inflation without an increase in real income. For the 2009 tax year, this adjustment decreased 1.5 percent, reflecting dropping prices during 2009. For the 2010 tax year, the adjustment is projected to be an increase of 2 percent. The personal tax rate applies to total taxable income from all sources, after which taxpayers can reduce their gross tax liability by claiming various credits.

An alternative minimum tax, imposed at a rate of 7 percent, limits the amount of benefits that taxpayers realize from the use of deductions and exemptions, and thus ensures that all taxpayers pay a minimum level of tax. For the 2009 and 2010 tax years, the alternative minimum tax rate has been temporarily increased to 7.25 percent.

The largest income source for the personal income tax is wages and salaries. In 2007, taxes attributable to wages and salaries accounted for over half of personal income tax revenues. Wages and salaries are expected to decline 4.8 percent in 2009, and grow by 2.4 percent in 2010 and 1.2 percent in 2011. This reflects the forecasted economic and job growth for the budget period. Capital gains are also a significant contributor to personal income tax revenues. In 2007, this component accounted for over 21 percent of the personal income tax. Capital gains are highly volatile. Gains reported by taxpayers increased 10.5 percent in 2007 and plunged an estimated 61.5 percent in 2008. They are expected to decline further by 15 percent in 2009, before bouncing back with 40 percent growth in 2010. Projected capital gains in 2010 would represent the twelfth highest level in California's history.

The budget's revenue estimates incorporate the potential behavioral impacts of federal tax law changes. The Federal Economic Growth and Tax Relief Reconciliation Act of 2001 enacted tax reductions for dividend income, capital gains and other income. These tax reductions expire after 2010. The estimates assume that taxpayers will respond to this change by accelerating 15 percent of 2011 capital gains to 2010. Also, we are estimating that 15 percent of 2011 dividends will be accelerated to 2010. These changes are projected to increase 2010-11 revenues by $1.1 billion, and would reduce 2011-12 revenues by the same amount.

Figure REV-04 shows the portion of General Fund revenues from capital gains. In addition to wages and salaries and capital gains, other major components of AGI include net business and proprietor income, which together constitute about 10 percent of the total.

Additional Information

The Franchise Tax Board, which administers the personal income tax and corporation tax, prepares an annual report which streamlines much of the information previously included in the Operations Report, Annual Report and Performance Report. Its website, www.ftb.ca.gov, includes these reports as well as detailed tables and statistics. Information on personal income tax and corporation tax exclusions, deductions, and credits is also available in the Department of Finance's Tax Expenditure Report, published annually on the Internet at www.dof.ca.gov in "Reports and Periodicals."

Figure REV-04

Capital Gains
As a Percent of General Fund Revenues

(Dollars in Billions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008 p	2009 e	2010 e
Capital Gains Income	$117.6	$50.7	$35.5	$47.6	$76.3	$112.4	$117.3	$129.6	$49.9	$42.4	$59.4
Tax at 9%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Capital Gains Tax	$10.6	$4.6	$3.2	$4.3	$6.9	$10.1	$10.6	$11.7	$4.5	$3.8	$5.3
Total General Fund Revenues & Transfers	$71.4	$72.3	$71.3	$74.9	$82.2	$93.5	$95.5	$99.2	$82.8	$88.1	$89.3
Capital Gains as % of General Fund											
	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Capital Gains	14.8%	6.3%	4.5%	5.7%	8.3%	10.8%	11.1%	11.8%	5.4%	4.3%	6.0%

[p] Preliminary

[e] Estimated

Note: Totals may not add due to rounding

2002-03 revenues do not include $9.242 billion in economic recovery bonds.
2003-04 revenues do not include $2.012 billion in economic recovery bonds.
2007-08 revenues do not include $3.313 billion in economic recovery bonds.

Some personal income tax revenue is deposited into a special fund. Proposition 63, passed in November 2004, imposes a surcharge of 1 percent on taxable income over $1 million in addition to the 9.3 percent General Fund rate (9.55 percent for tax years 2009 and 2010). Revenue from the surcharge is transferred to the Mental Health Services Fund for mental health services. Revenues of $980 million are estimated for the 2008-09 fiscal year. Annual revenues of $858 million for 2009-10, and $1.008 billion for 2010-11 are projected, reflecting the substantial declines in incomes of higher income taxpayers. Substantial portions of these revenues are received in the Mental Health Services Fund as settle-up transfers the second year following the year for which they are paid. (See the Department of Mental Health Services budget for information on transfers to and expenditures from the Mental Health Services Fund.)

The General Fund and the Mental Health Services Fund shares of personal income tax revenues for 2008-09 through 2010-11 are shown in Figure REV-05.

Figure REV-05

Personal Income Tax Revenue

(Dollars in Thousands)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
General Fund	$43,375,959	$46,640,000	$46,862,000
Mental Health Services Fund	980,000	858,000	1,008,000
Total	**$44,355,959**	**$47,498,000**	**$47,870,000**

Sales and Use Tax

Receipts from sales and use taxes, the state's second largest revenue source, are expected to contribute 28.9 percent of all General Fund revenues and transfers in 2010-11. Figure REV-06 displays sales and use tax revenues for the General Fund, as well as special funds, for 2008-09 through 2010-11. Revenues in 2009-10 and 2010-11 reflect a full-year impact of the temporary 1-percent sales tax rate increase (the increase was also in effect during the final quarter of 2008-09). Revenues from the additional 1 percent are expected to generate $4.192 billion in 2009-10

Sales and Use Tax Revenue (In billions)

2008-09 . . . . $23.753

2009-10 (Forecast) $26.036

2010-11 (Forecast). $25.851

Figure REV-06

Sales Tax Revenue

(Dollars in Thousands)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
General Fund	$23,753,364	$26,036,000	$25,850,882
Sales and Use Tax-Realignment	2,445,950	2,249,790	2,396,338
Public Transportation Account	1,026,526	945,242	0
Mass Transportation Fund	492,146	0	0
Economic Recovery Fund	1,254,316	1,123,000	1,191,000
Total	**$28,972,302**	**$30,354,032**	**$29,438,220**

and $4.456 billion in 2010-11. The sales tax is expected to generate General Fund revenues of $26.036 billion in 2009-10 and $25.851 billion in 2010-11 (after accounting for the proposed transportation tax change).

The sales tax applies to sales of tangible personal property in California; the companion use tax applies to property purchased outside the state for use within California. Most retail sales and leases are subject to the tax. Exemptions from the tax for necessities such as food for home consumption, prescription drugs, and electricity make the tax less regressive than it otherwise would be. Other exemptions provide tax relief for purchasers of particular products — e.g., farm equipment, custom computer programs, or materials used in space flights. These exemptions are generally enacted to encourage certain types of economic activity.

Through the first three quarters of calendar year 2008, as a result of historically high gasoline prices, sales by service stations were the largest contributor to the sales tax base, accounting for 10.5 percent of all sales. Other significant contributors to the sales tax base include sales by new motor vehicle dealers at 8.1 percent, general merchandise stores at 8.7 percent, eating and drinking establishments at 9.8 percent, and building materials retailers at 5.2 percent. Detailed taxable sales data by type of business is not yet available for the fourth quarter of 2008.

Taxable sales decreased by an estimated 2.1 percent in 2007-08. Based on preliminary data, it is estimated that taxable sales will decrease again by 12.8 percent for 2008-09. This slowdown will continue through 2009-10 with an additional decrease of 7.5 percent. The slowdown is attributed to continued weakness in the housing market, declining auto sales, tight credit markets, and decreased employment. Taxable sales under current law are expected to turn modestly positive in 2010-11 with expected annual growth of 6.3 percent.

Additional Information

The Board of Equalization, which administers the sales and use tax, tobacco tax, alcoholic beverage taxes, and fuel taxes provides additional information in its annual report, which is available on its website, www.boe.ca.gov. Information on sales tax exemptions is included in the Department of Finance's Tax Expenditure Report, published annually on the Internet at www.dof.ca.gov in "Reports and Periodicals."

Approximately two-thirds of the sales tax is related to consumer spending and paid by households. Such purchases are strongly influenced by such macro-economic factors as employment trends and interest rates. Given that much of the sales tax base is comprised on non-essential purchases that can be postponed or cancelled, consumer confidence can have a significant impact on sales tax revenues. The remaining roughly one-third of the sales tax is paid on purchases by businesses. This component, too, is governed by businesses' perceptions of economic conditions and the need for additional equipment acquisitions and other capital purchases. Sales and use tax revenues are forecast relating taxable sales to economic factors such as income, employment, housing starts, new vehicle sales, and inflation.

Current law requires that a portion of the sales tax on gasoline and diesel fuel go to the Public Transportation Account (PTA). (The transportation community refers to the gasoline tax portion of this as "spillover" sales tax revenues.) Including the sales tax on diesel fuel, an estimated $945 million in sales tax revenue will go to the PTA in 2009-10. Sales taxes on motor vehicle fuels are proposed to be eliminated beginning in 2010-11, so no transfers to the PTA from this source will occur in 2010-11 and forward.

Figure REV-07 displays the individual elements of the state and local sales tax rates. Figure REV-08 shows combined state and local tax rates for each county.

Figure REV-07

State and Local Sales and Use Tax Rates

State Rates		
General Fund	4.75% or 5.00%	Pursuant to Sections 6051.3 and 6051.4 of the Revenue and Taxation Code, this rate is 5%, but may be temporarily reduced by 0.25% if General Fund reserves exceed specified levels. During 2001, the rate was 4.75%, and during 2002 and thereafter, this rate is 5.00%.
General Fund	1.00%	Pursuant to Sections 6051.7 and 6201.7 of the Revenue and Taxation Code, beginning on April 1, 2009, an additional temporary 1.00% General Fund sales tax was imposed. This tax will expire after June 30, 2011.
Local Revenue Fund	0.50%	Dedicated to local governments to fund health and social services programs transferred to counties as part of 1991 state-local realignment.
Economic Recovery Fund	0.25%	Beginning on July 1, 2004, a new temporary 0.25% state sales tax rate was imposed, with a corresponding decrease in the Bradley-Burns rate. These revenues are dedicated to repayment of Economic Recovery Bonds. Once these bonds are repaid, this tax will sunset and the Bradley-Burns rate will return to 1%.
Local Uniform Rates[1]		
Bradley-Burns	0.75%[2] or 1.00%	Imposed by city and county ordinance for general purpose use.[3]
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to cities and counties for public safety purposes. This rate was imposed temporarily by statute in 1993 and made permanent by the voters later that year through passage of Proposition 172.
Local Add-on Rates[4]		
Transactions and Use Taxes	up to 2.00%	May be levied in 0.125% or 0.25% increments[5] up to a combined maximum of 2.00% in any county.[6] Any ordinance authorizing a transactions and use tax requires approval by the local governing board and local voters.

[1] These locally-imposed taxes are collected by the State for each city and county and are not included in the State's revenue totals.

[2] The 1 percent rate was temporarily decreased by 0.25 percent on July 1, 2004, and a new temporary 0.25 percent tax imposed to repay Economic Recovery Bonds. Cities and counties will receive additional property tax revenues equal to the 0.25 percent local sales tax reduction.

[3] The city tax constitutes a credit against the county tax. The combined rate is never more than 1 percent in any area (or 0.75 percent during the period when Economic Recovery Bonds are being repaid).

[4] These taxes may be imposed by voters in cities, counties, or special districts. The revenues are collected by the State for each jurisdiction and are not included in the State's revenue totals.

[5] Increments imposed at 0.125 percent are only allowed when revenues are dedicated for library purposes.

[6] An exception to the 2 percent maximum is Los Angeles County, which may impose up to 2.5 percent.

Figure REV-08

Combined State and Local Sales and Use Tax Rates by County

(Rates in Effect on April 1, 2009)[27]

County	Tax Rate	County	Tax Rate	County	Tax Rate
Alameda	9.75%	Madera	8.75%	San Joaquin[19]	8.75%
Alpine	8.25%	Marin[9]	9.00%	San Luis Obispo[20]	8.25%
Amador	8.75%	Mariposa	8.75%	San Mateo	9.25%
Butte	8.25%	Mendocino[10]	8.25%	Santa Barbara	8.75%
Calaveras	8.25%	Merced[11]	8.25%	Santa Clara	9.25%
Colusa[1]	8.25%	Modoc	8.25%	Santa Cruz[21]	9.00%
Contra Costa[2]	9.25%	Mono[12]	8.25%	Shasta	8.25%
Del Norte	8.25%	Monterey[13]	8.25%	Sierra	8.25%
El Dorado[3]	8.25%	Napa	8.75%	Siskiyou	8.25%
Fresno[4]	8.975%	Nevada[14]	8.375%	Solano	8.375%
Glenn	8.25%	Orange[15]	8.75%	Sonoma[22]	9.00%
Humboldt[5]	8.25%	Placer	8.25%	Stanislaus[23]	8.375%
Imperial	8.75%	Plumas	8.25%	Sutter	8.25%
Inyo	8.75%	Riverside	8.75%	Tehama	8.25%
Kern[6]	8.25%	Sacramento	8.75%	Trinity	8.25%
Kings	8.25%	San Benito[16]	8.25%	Tulare[24]	8.75%
Lake[7]	8.25%	San Bernardino[17]	8.75%	Tuolumne[25]	8.25%
Lassen	8.25%	San Diego[18]	8.75%	Ventura	8.25%
Los Angeles[8]	9.75%	San Francisco	9.50%	Yolo[26]	8.25%
				Yuba	8.25%

[1] 8.75% for sales in the City of Williams.

[2] 9.75% for sales in the Cities of Richmond, Pinole, and El Cerrito.

[3] 8.50% for sales in the City of Placerville and 8.75% for sales in the City of South Lake Tahoe.

[4] 9.475% for sales in the Cities of Reedley and Selma and 9.725% for sales in the City of Sanger.

[5] 8.50% for sales in the City of Eureka and 9.25% for sales in the City of Trinidad.

[6] 9.25% for sales in the Cities of Arvin and Delano.

[7] 8.75% for sales in the City of Clearlake and the City of Lakeport.

[8] 10.25% for sales in the Cities of Avalon and Inglewood and 10.75% for sales in the City of South Gate.

[9] 9.50% for sales in the City of San Rafael.

[10] 8.75% for sales in the Cities of Fort Bragg, Point Arena, Ukiah, and Willits.

[11] 8.75% for sales in the City of Merced and the City of Los Banos.

[12] 8.75% for sales in the City of Mammoth Lakes.

[13] 8.75% for sales in the Cities of Salinas and Sand City and 9.25% in the Cities of Del Rey Oaks, Pacific Grove, and Seaside.

[14] 8.875% for sales in the Cities of Truckee and Nevada City.

[15] 9.25% for sales in the City of La Habra.

[16] 9.00% for sales in the City of San Juan Bautista and 9.25% for sales in the City of Hollister.

[17] 9.00% for sales in the City of Montclair and the City of San Bernardino.

[18] 9.25% for sales in the City of Vista, 9.5% for the City of La Mesa, and 9.75% for sales in the Cities of El Cajon and National City.

[19] 9.00% for sales in the City of Stockton and 9.25% for sales in the City of Manteca.

[20] 8.75% for sales in the Cities of Arroyo Grande, Morro Bay, Grover Beach, San Luis Obispo, and Pismo Beach.

[21] 9.25% for sales in the Cities of Watsonville, Capitola, and Scotts Valley and 9.50% for sales in the City of Santa Cruz.

[22] 9.25% for sales in the City of Sebastopol and the City of Santa Rosa.

[23] 8.875% for sales in the City of Ceres.

[24] 9.00% for sales in the City of Visalia. 9.25% for sales in the Cities of Farmersville, Porterville, and Tulare. 9.50% for sales in the City of Dinuba.

[25] 8.75% for sales in the City of Sonora.

[26] 8.75% for sales in the Cities of Woodland, West Sacramento, and Davis.

[27] General Fund sales tax rate was temporarily increased by 1.00% from April 1, 2009 through June 30, 2011.

Corporation Tax

Corporation tax revenues are expected to contribute 11.3 percent of all General Fund revenues and transfers in 2010-11. Corporation tax revenues are expected to drop about 1.4 percent from 2008-09 to 2009-10 but then recover in 2010-11. Revenues from this source are expected to grow by 6.9 percent for the budget year. Corporation tax revenues are driven by corporate profits, which generally track the overall business cycle. In the budget year, revenues will increase as a result of higher penalties on large corporations that under-report income and underpay taxes. Revenues will decrease as a result of the impacts of budget actions taken in earlier years. These factors include an end to the temporary suspension of net operating loss claims, increased ability to claim various credits among members of a unitary groups and adoption of single sales factor income apportionment.

Corporation Tax Revenue (In Billions)

2008-09	$ 9.536
2009-10 (Forecast)	$ 9.407
2010-11 (Forecast)	$10.052

Corporation tax revenues are derived from the following sources:

- The franchise tax and the corporate income tax are levied at a rate of 8.84 percent on net profits. The former is imposed on corporations that do business in California, while the latter is imposed on corporations that derive income from California sources without doing business in the state. For example, a corporation that maintains a stock of goods in California to fill orders taken by independent dealers would be subject to the corporate income tax.
- Corporations that have a limited number of shareholders and meet other requirements to qualify for state Subchapter S status are taxed at a 1.5-percent rate rather than the 8.84 percent imposed on other corporations.
- Banks and other financial corporations pay the franchise tax plus an additional 2-percent tax on net income. This “bank tax” is in lieu of local personal property and business license taxes.
- The alternative minimum tax is similar to that imposed under federal law. Levied at a rate of 6.65 percent, the alternative minimum tax ensures that corporate taxpayers do not make excessive use of deductions and exemptions to avoid paying a minimum level of tax.

- A minimum franchise tax of $800 is imposed on corporations subject to the franchise tax, but not on those subject to the corporate income tax. An $800 minimum tax is also imposed on Limited Liability Companies (LLCs), Limited Partnerships and Limited Liability Partnerships.
- In addition to an annual tax of $800, a fee is imposed on LLCs based on total income. The fee ranges from $900 for LLCs with income between $250,000 and $499,000, to $11,790 for LLCs with income of $5 million or more. LLCs with total income of less than $250,000 do not pay this fee.
- The corporation tax forecast is based on an analysis of California taxable profits, employment rates, personal income, and actual cash receipts.

From 1943 through 1985, corporation tax liability as a percentage of profits closely tracked the corporation tax rate. Since 1986, tax liability as a percentage of profits has dropped below the statutory level of 8.84 percent. Increasing S-corporation activity and use of credits have been the primary factors contributing to a divergence between profit and tax liability growth. Businesses that elect to form as S-corporations pay a reduced corporate rate, with the income and tax liability on that income passed through to owners and thus shifted to the personal income tax.

Insurance Tax

Most insurance written in California is subject to a 2.35-percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. In general, the basis of the tax is the amount of "gross premiums" received, less return premiums.

To provide interim funding for the Healthy Families and Medi-Cal programs, Chapter 157, Statutes of 2009 extends the 2.35-percent gross premiums tax to the Medi-Cal managed care plans in 2009 and 2010. Figure REV-09 displays the distribution of total insurance tax revenues from 2008-09 through 2010-11.

The Department of Finance conducts an annual survey to project insurance premium growth. Responses were received this year from a sample representing about 35 percent of the dollar value of premiums written in California.

Insurance Tax Revenue (General Fund)
(In Billions)

2008-09	$2.054
2009-10 (Forecast)	$1.952
2010-11 (Forecast)	$1.897

Figure REV-09

Insurance Tax Revenue

(Dollars in Millions)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
General Fund	$2,053.8	$1,952.0	$1,897.0
Children's Health and Human Services Special Fund	0.0	239.2	163.6
Total	**$2,053.8**	**$2,191.2**	**$2,060.6**

In 2008, $123.5 billion in taxable premiums were reported, representing a decrease of 0.7 percent from 2007. The most recent survey indicates that total premiums will decrease by 1.2 percent, and increase by 6.4 percent in 2009, and 2010, respectively. As reforms in workers' compensation insurance continue to take hold, taxable premiums from workers' compensation insurance continue to decrease. Survey respondents reported declines of 17.7 percent in 2009 and low growth for 2010 in this line of insurance.

Alcoholic Beverage Taxes

In addition to the sales tax paid by retail purchasers, California levies an excise tax on distributors of beer, wine, and distilled spirits.

Alcoholic beverage revenue estimates are based on projections of total and per capita consumption for each type of beverage. Consumption of alcoholic beverages is expected to grow over the forecast period, increasing by 2.5 percent for 2009-10 and by 6.6 percent for 2010-11.

Collections in 2008-09 and forecasted revenues for 2009-10 and 2010-11 are shown in Figure REV-10.

Alcoholic Beverage Tax Rates

Per Gallon (January 1, 2010)

$0.20 for beer, dry wine, and sweet wine

$0.30 for sparkling wine

$3.30 for distilled spirits

Figure REV-10

Beer, Wine, and Distilled Spirits Revenue

(Dollars in Millions)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
Beer and Wine	$161.0	$154.0	$169.0
Distilled Spirits	163.0	178.0	185.0
Total	**$324.0**	**$332.0**	**$354.0**

Cigarette Tax

The state imposes an excise tax of 87 cents per pack of 20 cigarettes on distributors selling cigarettes in California. An excise tax is also imposed on distribution of other tobacco products such as cigars, chewing tobacco, pipe tobacco, and snuff. The rate on other tobacco products is calculated annually by the Board of Equalization based on the wholesale price of cigarettes.

Revenues from the tax on cigarettes and other tobacco products are distributed as follows:

- Ten cents of the per-pack tax is allocated to the state General Fund.
- Fifty cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, goes to the California Children and Families First Trust Fund for distribution according to the provisions of Proposition 10 of 1998.
- Twenty-five cents of the per-pack tax, and an equivalent rate levied on non-cigarette tobacco products, is allocated to the Cigarette and Tobacco Products Surtax Fund for distribution as determined by Proposition 99 of 1988.
- Two cents of the per-pack tax is deposited into the Breast Cancer Fund.

Projections of cigarette tax revenues are based on total and per capita consumption of cigarettes while revenue estimates for other tobacco products rely on wholesale price data. The cumulative effect of product price increases, the increasingly restrictive environments for smokers, and state anti-smoking campaigns funded by Proposition 99 Tobacco Tax and Health Protection Act revenues and revenues from the Master Tobacco Settlement has considerably reduced cigarette consumption.

Annual per capita consumption (based on population ages 18-64) declined from 123 packs in 1989-90 to 84 packs in 1997-98 and 45 packs in 2008-09, the latest year of actual data available. The long-term downward trend in consumption should continue to reduce cigarette tax revenues.

Figure REV-11 shows the distribution of tax revenues for the General Fund and various special funds for 2008-09 through 2010-11.

Figure REV-11

Tobacco Tax Revenue

(Dollars in Millions)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
General Fund	$107.2	$102.0	$101.0
Cigarette and Tobacco Products Surtax Fund	314.9	286.0	284.0
Breast Cancer Fund	21.0	20.0	20.0
California Children and Families First Trust Fund	555.4	528.0	522.0
Cigarette and Tobacco Products Compliance Fund	1.9	1.7	1.7
Total	**$1,000.4**	**$937.7**	**$928.7**

Property Taxes

Article XIIIA of the State Constitution (Proposition 13) provides that property is assessed at its 1975 fair market value until it changes ownership. When ownership changes, the assessed value is redetermined based on the property's current market value. New construction is assessed at fair market value when construction is completed. A property's base year value may be increased by an inflation factor, not to exceed 2 percent annually.

Although the property tax is generally considered a local revenue source, the amount of property tax generated each year has a substantial impact on the state budget because local property tax revenues allocated to K-14 schools offset General Fund expenditures. Assessed value growth is estimated based on twice-yearly surveys of county assessors and evaluation of real estate trends. Stress in the real estate sector, and residential property in particular, has had a significant impact on assessed values and property tax levies. Assessed value is estimated to decrease 2.9 percent from 2008-09 to 2009-10. A further decrease of 2.2 percent is expected in 2010-11.

Property taxes received by school districts and reflected in the Department of Education and Community Colleges budgets are significantly below projections used for the 2009-10 Budget.

Estate/Inheritance/Gift Taxes

Proposition 6, adopted in June 1982, repealed the inheritance and gift taxes and imposed a tax known as "the pick-up tax," because it was designed to pick up the maximum state credit allowed against the federal estate tax without increasing total taxes paid by the estate. The pick-up tax is computed based on the federal "taxable estate," with tax rates ranging from 0.8 percent to 16 percent.

The Economic Growth and Tax Relief Reconciliation Act of 2001 phases out the federal estate tax by 2010. The Act reduced the state pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminated it beginning in 2005. The provisions of the federal Act sunset after 2010, at which time the federal and state estate taxes are scheduled to be reinstated. The amount of revenue estimated to be received from this source, assuming current federal law, is $892 million in the budget year.

Some revenues from this tax continue to be collected from estates established prior to 2005.

Other Revenues

Vehicle License Fee

As part of the 2009-10 budget, the vehicle license fees (VLF) was increased temporarily from 0.65 percent to 1.15 percent. Of this amount, 0.35 percent goes to the General Fund with the remainder to local public safety programs. (See below). As a result of this increase, revenues from this source to the General Fund will be $1.386 billion in 2009-10 and $1.472 billion in 2010-11.

Indian Gaming

Indian gaming revenues that are deposited in the General Fund are estimated to be $370 million in 2009-10 and $270 million in 2010-11. The steep drop between 2009-10 and 2010-11 is the result of additional deposits of these revenues into a special fund.

Unclaimed Property

The Governor's Budget reflects revenues of $170 million in 2009-10 and $166 million in 2010-11 from unclaimed property. The 2009-10 amount represents a decline of 37 percent from the prior year. The reduced revenue from this source is reflective of increased returns to property owners and reduced earnings on securities.

State Lands Royalties

Royalties on state land oil and gas production is estimated at $179 million in 2009-10 and $160 million in 2010-11. These represent significant declines from earlier years; the estimated decline from 2008-09 to 2009-10 is 45 percent. This steep reduction is largely the result of the rapid decline in oil prices.

Other Revenues

The Governor's Budget proposes a new 4.8-percent statewide surcharge on all residential and commercial property insurance, which is estimated to generate $238.1 million in 2009-10 and $478.6 million in 2010-11. These funds will be used to offset General Fund expenditures in the Department of Forestry and Fire Protection and enhance the state's emergency response capabilities.

The budget also reflects additional revenue from the Tranquillon Ridge oil lease, which is estimated at $100 million in 2009-10 and $119 million in 2010-11. It is estimated that the Tranquillon Ridge oil lease will generate $1.8 billion in advanced royalties over the next 14 years. This revenue will be used to fund state parks.

Other revenues also include increased revenues from state assets.

Special Fund Revenue

The California Constitution and state statutes specify into which funds certain revenues must be deposited and how they are to be spent. Special fund revenues consist of:

- Receipts from tax levies allocated to specified functions, such as motor vehicle taxes and fees.
- Charges such as business and professional license fees.
- Rental royalties and other receipts designated for particular purposes, such as oil and gas royalties.

Taxes and fees related to motor vehicles are expected to comprise about 38 percent of all special fund revenue in 2010-11. The principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2010-11, it is expected that $10 billion in revenues will be derived from the ownership or operation of motor vehicles. About 35 percent of all motor vehicle taxes and fees will be allocated to local governments, and the remaining portion will be used for state transportation programs.

Motor Vehicle Fees

Motor vehicle fees consist of vehicle license, registration, weight, and driver's license fees, and other charges related to vehicle operation. Figure REV-12 displays revenue from these sources from 2008-09 through 2010-11.

Figure REV-12

Motor Vehicle Fees Special Fund Revenue

(Dollars in Thousands)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
Vehicle License Fees	$516,127	$481,441	$491,092
Realignment	1,567,917	1,453,979	1,482,778
Registration, Weight, and Other Fees	3,239,861	3,413,338	3,428,017
Total	**$5,323,905**	**$5,348,758**	**$5,401,887**

The VLF is imposed on vehicles that travel on public highways in California. This tax is imposed instead of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. Revenues from the 0.65-percent base VLF rate, other than administrative costs and fees on trailer coaches and mobile homes, are constitutionally dedicated to local governments.

The number of vehicles in the state, the ages of those vehicles, and their most recent sales price affect the amount of VLF raised. The total number of vehicles in California —autos, trucks, trailers, and motorcycles as well as vehicles registered in multiple states —is estimated to be 30,331,000 in 2009-10 and 29,879,000 in 2010-11. The forecast assumes that there will be 1,654,000 new vehicles in 2010-11.

The VLF is calculated on the vehicle's "market value," adjusted for depreciation. The motor vehicle schedule is based on an 11-year depreciation period; for trailer coaches, it is an 18-year period. A 0.65-percent rate is applied to the depreciated value to determine the fee.

Chapter 87, Statutes of 1991 revised the VLF depreciation schedule and required the Department of Motor Vehicles to reclassify used vehicles based on their actual purchase price each time ownership is transferred. Revenue from this base change is transferred to the Local Revenue Fund for state-local program realignment.

Chapter 322, Statutes of 1998 established a program to offset a portion of the VLF paid by vehicle owners at the 2-percent rate. The state paid or "offset" a portion of the amount due and taxpayers paid the balance. This General Fund offset gave taxpayers significant tax relief and compensated local governments. A permanent offset of 25 percent of the amount of the VLF owed became operative in 1999. Chapter 74, Statutes of 1999 increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35-percent offset through June 30, 2001, and provided an additional 32.5-percent VLF reduction, which was returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF was reduced by 67.5 percent. As the amount paid by taxpayers decreased, the amount backfilled by the General Fund increased.

The VLF reduction was suspended for a 141-day period beginning July 1, 2003. Executive Order S-1-03, issued November 17, 2003, rescinded the offset suspension and directed the Department of Motor Vehicles to reinstate the offset as soon as administratively feasible.

Chapter 211, Statutes of 2004 eliminated the VLF offset and reduced the VLF tax rate to 0.65 percent. Local governments now receive property tax revenues to compensate them for the loss of VLF revenue. In 2004-05 and 2005-06, that replacement revenue was reduced by $1.3 billion to assist the state. The 2009-10 budget enacted in February 2009 increased the fee by 0.5 percent to 1.15 percent for the period May 19, 2009, through June 30, 2011. Out of the 0.5-percent increase, 0.15 percent goes for funding local law enforcement and the remaining 0.35 percent goes to the General Fund. As a result of this increase, revenues from this source to local public safety programs will be $416 million in 2009-10 and $442 million in 2010-11.

The Department of Motor Vehicles administers the VLF for trailer coaches that are not installed on permanent foundations. Those that are installed on permanent foundations (mobile homes) are subject to either local property taxes or the VLF. Generally, mobile homes purchased new prior to July 1, 1980, are subject to the VLF. All trailer coach license fees are deposited in the General Fund.

In addition to the VLF, commercial truck owners pay a fee based on vehicle weight. Chapter 861, Statutes of 2000, and Chapter 719, Statutes of 2003, revised the fee schedules to conform to the federal International Registration Plan.

Motor Vehicle Fuel Taxes

The motor vehicle fuel tax, diesel fuel tax, and the use fuel tax are the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Just over one-third of these revenues is apportioned to local jurisdictions for street and highway use.

Gasoline consumption fell by 3.6 percent during 2008-09, primarily because of high pump prices and a weak economy. Gasoline consumption is expected to decrease 2 percent in 2009-10 and 0.4 percent in 2010-11.

Because most diesel fuel is consumed by the commercial trucking industry, consumption is affected most significantly by general economic conditions. Diesel fuel consumption fell 9 percent in 2008-09, and is expected to decline 4.4 percent in 2009-10. A recovering economy is expected to contribute to growth of 3.5 percent in diesel consumption in 2010-11.

Motor vehicle fuel tax collections are shown in Figure REV-13.

Figure REV-13

Motor Vehicle Fuel Tax Revenue

(Dollars in Thousands)

	2008-09 Preliminary	2009-10 Forecast	2010-11 Forecast
Gasoline [1]	$2,663,615	$2,614,484	$4,164,465
Diesel	513,739	494,329	816,652
Total	**$3,177,354**	**$3,108,813**	**$4,981,117**

[1] Does not include jet fuel.

The motor vehicle fuel tax (gas tax) is collected from distributors when fuel is loaded into ground transportation for transport to retail stations. This fuel is taxed at a rate of 18 cents per gallon under current law. Fuels subject to the gas tax include gasoline, natural gas, and blends of gasoline and alcohol sold for use on public streets and highways.

Distributors pay the diesel fuel tax, which applies to both pure diesel fuel and blends, at the fuel terminal. Diesel fuel for highway use is taxed at a rate of 18 cents per gallon. Dyed diesel fuel, which is destined for off-highway uses such as farm equipment, is not taxed.

The Governor's Budget is proposing to increase the excise tax rate on motor vehicle gasoline and diesel fuel from 18 cents to 28.8 cents for the 2010-11 fiscal year and similar levels in subsequent years (see Business, Transportation, and Housing).

The use fuel tax is levied on sales of kerosene, liquefied petroleum gas (LPG), liquid natural gas (LNG), compressed natural gas (CNG), and alcohol fuel (ethanol and methanol containing 15 percent or less gasoline and diesel fuel). These fuels are taxed only when they are dispensed into motor vehicles used on the highways. Current use fuel tax rates are 18 cents per gallon for kerosene, 6 cents per gallon for LPG and LNG, 7 cents per 100 cubic feet for CNG, and 9 cents per gallon for alcohol fuel. Users of LPG, LNG, or CNG may elect to pay a flat rate of tax based on vehicle weight instead of the per-gallon tax.

An excise tax of 2 cents per gallon is levied on aircraft jet fuel sold at the retail level. This tax does not apply to commercial air carriers, aircraft manufacturers and repairers, and the U.S. armed forces.

Local transit systems, school and community college districts, and certain common carriers pay 1 cent per gallon on the fuel they use instead of the tax rates described above.