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## Gas Tax Swap: It's Time to Stop the Masquerade

By Teresa Casazza

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I know this is Mardi gras season, but it's time to stop this masquerade.

On March 4, the Legislature sent the governor a majority-vote bill (ABX8 6) to implement a gas tax swap, a tax increase in disguise.

The legislation repeals the sales tax on gas and replaces the revenue with an excise tax of 17.3 cents per gallon. It also increases the sales tax on diesel fuel by 1.75 percent and reduces the gas tax on diesel fuel by 4.4 cents per gallon. And, for purposes of Prop. 98 school funding, the state has to pretend that this sales tax on gas was not repealed. Finally, the bill gives legislative authority to the State Board of Equalization to make adjustments to the excise tax rate to ensure "revenue neutrality" in the future.

Put simply, this is a hidden tax and an end-run around the taxpayer protections of Proposition 13. The proposal calls for a net tax increase on some taxpayers, ostensibly offset by a net tax decrease on others. In the Capitol, that is called "revenue neutrality," but to the person who ends up paying the higher tax, it is a good old-fashioned tax increase.

The law is clear – any tax increase or change in tax rates enacted to raise revenue requires a two-thirds legislative vote. This is what voters intended when they overwhelmingly approved Proposition 13, and it is what the state constitution requires in no uncertain terms.

Increasing one tax to offset a reduction in another tax is exactly the kind of legislative game-playing that has destroyed the voters' faith in their state government. A majority-vote bill that increases taxes is directly contrary to Proposition 13, and will be challenged in court.

This hidden tax proposal also gives too much authority to the State Board of Equalization. If this bill becomes law, the BOE will have the power to raise or lower excise tax rates to ensure that the revenues remain consistent with what the motor vehicle fuel tax WOULD HAVE produced were it to remain in place. How can this be fairly and accurately calculated and administered? The answer is that it cannot be.

These issues should have been aired during the legislative process, but they were not because this measure is a "midnight special." The bill was jammed through both houses of the Legislature, one day after major amendments were added. All pretense of good government was abandoned – there was no time given for public input, there were no committee hearings, and there was no floor

analysis of the bill on either the Assembly or Senate website prior to the votes that sent the bill to the governor.

Cal-Tax has identified over a dozen new legislative proposals that attempt to enact hidden taxes or tax-like fees by a majority vote. The answer? Join the Stop Hidden Taxes Coalition and support our efforts to stop these hidden taxes and taxes disguised as fees. Our committee has begun collecting signatures to qualify an initiative fix (#0093-Taxes) for the November ballot and it deserves your support.

It's time to stop this masquerade, and to quit using gimmicks to get around the constitution by enacting hidden taxes. It also is time for Sacramento to realize that jobs are the best source of new tax revenue for needed state programs. The way out of this recession is to create jobs, encourage investment and grow California's economy.

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