SENATE BILL SB-29

Introduced by Senator Tony Strickland (R-36)

An act relating to The Lower Gasoline and Diesel Prices Act.

LEGISLATIVE COUNSEL'S DIGEST

SB-29, Tony Strickland (R-36). The Lower Gasoline and Diesel Prices Act.

Existing law allows the State of California to levy a state excise (currently valued at 61.2 cents, or $0.612) tax on gasoline and diesel, as well as including a reduced sales tax on gasoline and diesel at 2.25% sales tax. Existing law states that the state excise will continue to grow every fiscal year, being reevaluated every July 1st ever since 2020.

This bill would amend the pre-existing California Revenue and Taxation Code, section 7360 to lower the state excise tax, prevent it from growing further, and exempt gasoline and diesel from the sales tax.

This bill would take effect immediately as a tax levy.

Vote: Majority. Appropriations/fiscal: yes. Local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

CALIFORNIA LEGISLATURE—2026-2027 SIMULATION SESSION

SENATE BILL NO[TA Assigns #]

Introduced by Senator Strickland

September 29, 2026

An Act to Amend Section 7360 and of the California Revenue and Taxation Code to Reduce the Price of Gasoline and Diesel in California

LEGISLATIVE COUNSEL'S DIGEST

SB [TA Assigns #], as introduced, Strickland. The Lower Gasoline and Diesel Prices Act.

Existing law allows the State of California to levy a state excise (currently valued at 61.2 cents, or $0.612) tax on gasoline and diesel, as well as including a reduced sales tax on gasoline and

diesel at 2.25% sales tax. Existing law states that the state excise will continue to grow every fiscal year, being reevaluated every July 1st ever since 2020.

This bill would amend the pre-existing California Revenue and Taxation Code, section 7360 to lower the state excise tax, prevent it from growing further, and exempt gasoline and diesel from the sales tax.

This bill would take effect immediately as a tax levy.

Vote: Majority Appropriation: No Fiscal Committee: Yes Local Program: No

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7360 will be amended as follows:

(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) 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.~~

(~~e~~*d*) 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).~~

(e) A tax decrease of thirty and three-fifths ($0.306) shall be levied against the current excise tax, "current" being defined as the state excise tax found during the month of September, in the year 2026. This tax decrease shall be levied against each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(f) There are exempted from the computation of the amount of the sales tax the gross receipts from the sale of each gallon of fuel subject in Sections 7362, 7363, 7364.

SECTION 2. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.