

From: Curt Pringle  
Sent: Tuesday, August 04, 2009 11:57 AM  
To: COTCE COMMISSIONERS  
Cc: COTCE STAFF

**Subject: RE: Tax Packages**

Fred-

I have included below in this email all that you included in your Blue Proposal on this subject. It seems to me that this is a Gas Tax - does it apply to other fuels, since you specifically reference gasoline in your sliding scale discussion (i.e. diesel, jet-fuels, bunker fuels)? Does it apply to any other "Pollution generation from Carbon fuels" or is it just gasoline? Therefore if it is just a Gas tax, with a possibly more politically correct name - then at least I can understand what the change is all about.

Curt

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8/ Adopt a Pollution Tax on Carbon-based Fuels. The proposed pollution tax on fuels will be structured so that it moves inversely with the price of crude oil, effectively putting a rough floor under the price of gasoline. This tax could be structured so as to combine a sliding gas tax with a severance tax, yielding a steady stream of revenues with little volatility. The intention also is that the tax is borne by California residents so as to promote more efficient use of energy (i.e. driving, home heating, etc.). Exemption certificates will be considered in the event that it is determined that the proposed tax will impact manufacturers and possibly lead to job loss (although this raises issues with respect to the scope of the exemption).

Rationale: Pollution taxes are widely accepted as an ideal type of tax in that they discourage 'bad' behavior (in this case, the consumption of fuel by high fuel-consuming vehicles and congestion). As such, a fuel tax would be the hallmark of a 21st century tax structure. Given the state's above-average reliance on passenger vehicles and its leadership in the clean energy and transportation industries, a fuel tax will support the state's 21st century economy. A fuel tax will also support Governor's Executive Order S-03-05 and AB32, Global Warming Solutions Act.

As proposed, the fuel tax will help to stabilize state revenues and reduce volatility by providing a steady source of revenue. By supporting the clean energy and transportation industry, which many investors view as the next growth industry, this proposed tax reform will advance California's role as a leader in the clean energy sector and promote the long-term economic prosperity of the state and its citizens.. As proposed, the fuel tax reflects principles of sound tax policy including simplicity, efficiency, predictability, stability and ease of compliance and administration.

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