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H.B. No. 1294

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to an exemption from motor fuel taxes for certain fuel used  
3 by a rural transit district to provide public transportation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Effective January 1, 2024, Section 162.104(a),  
6 Tax Code, is amended to read as follows:

7 (a) The tax imposed by this subchapter does not apply to  
8 gasoline:

9 (1) sold to the United States for its exclusive use,  
10 provided that the exemption does not apply with respect to fuel sold  
11 or delivered to a person operating under a contract with the United  
12 States;

13 (2) sold to a public school district in this state for  
14 the district's exclusive use;

15 (3) sold to a commercial transportation company or a  
16 metropolitan rapid transit authority operating under Chapter 451,  
17 Transportation Code, that provides public school transportation  
18 services to a school district under Section 34.008, Education Code,  
19 and that uses the gasoline only to provide those services;

20 (4) exported by either a licensed supplier or a  
21 licensed exporter from this state to any other state, provided that  
22 the bill of lading indicates the destination state and the supplier  
23 collects the destination state tax;

24 (5) moved by truck or railcar between licensed

1 suppliers or licensed permissive suppliers and in which the  
2 gasoline removed from the first terminal comes to rest in the second  
3 terminal, provided that the removal from the second terminal rack  
4 is subject to the tax imposed by this subchapter;

5 (6) delivered or sold into a storage facility of a  
6 licensed aviation fuel dealer from which gasoline will be delivered  
7 solely into the fuel supply tanks of aircraft or aircraft servicing  
8 equipment, or sold from one licensed aviation fuel dealer to  
9 another licensed aviation fuel dealer who will deliver the aviation  
10 fuel exclusively into the fuel supply tanks of aircraft or aircraft  
11 servicing equipment;

12 (7) exported to a foreign country if the bill of lading  
13 or shipping documents indicate the foreign destination and the fuel  
14 is actually exported to the foreign country;

15 (8) sold to a volunteer fire department in this state  
16 for the department's exclusive use; ~~[or]~~

17 (9) sold to a nonprofit entity that is organized for  
18 the sole purpose of and engages exclusively in providing emergency  
19 medical services and that uses the gasoline exclusively to provide  
20 emergency medical services, including rescue and ambulance  
21 services; or

22 (10) sold to a rural transit district created under  
23 Chapter 458, Transportation Code, that uses the gasoline  
24 exclusively to provide public transportation.

25 SECTION 2. Effective January 1, 2024, Section 162.125(a),  
26 Tax Code, is amended to read as follows:

27 (a) A license holder may take a credit on a return for the

1 period in which the sale occurred if the license holder paid tax on  
2 the purchase of gasoline and subsequently resells the gasoline  
3 without collecting the tax to:

4 (1) the United States government for its exclusive  
5 use, provided that a credit is not allowed for gasoline used by a  
6 person operating under contract with the United States;

7 (2) a public school district in this state for the  
8 district's exclusive use;

9 (3) an exporter licensed under this subchapter if the  
10 seller is a licensed supplier or distributor and the exporter  
11 subsequently exports the gasoline to another state;

12 (4) a licensed aviation fuel dealer if the seller is a  
13 licensed distributor; ~~or~~

14 (5) a commercial transportation company or a  
15 metropolitan rapid transit authority operating under Chapter 451,  
16 Transportation Code, that provides public school transportation  
17 services to a school district under Section 34.008, Education Code,  
18 and that uses the gasoline exclusively to provide those services;  
19 or

20 (6) a rural transit district created under Chapter  
21 458, Transportation Code, that uses the gasoline exclusively to  
22 provide public transportation.

23 SECTION 3. Section 162.125(g), Tax Code, is amended to read  
24 as follows:

25 (g) A transit company that paid tax on the purchase of  
26 gasoline, and is not otherwise entitled to a refund of that tax  
27 under this subchapter, may seek a refund with the comptroller in an

1 amount equal to one cent per gallon for gasoline used in transit  
2 vehicles.

3 SECTION 4. Subchapter B, Chapter 162, Tax Code, is amended  
4 by adding Section 162.1276 to read as follows:

5 Sec. 162.1276. REFUND FOR CERTAIN RURAL TRANSIT DISTRICTS.

6 (a) A rural transit district created under Chapter 458,  
7 Transportation Code, is entitled to a refund in the amount provided  
8 by this section of taxes paid under this subchapter for gasoline  
9 used to provide public transportation and may file a refund claim  
10 with the comptroller for that amount.

11 (b) The refund claim under Subsection (a) must contain  
12 information regarding:

- 13 (1) vehicle mileage;  
14 (2) hours of service provided; and  
15 (3) fuel consumed.

16 (c) A rural transit district that requests a refund under  
17 this section shall maintain all supporting documentation relating  
18 to the refund until the sixth anniversary of the date of the  
19 request.

20 (d) The amount of the refund under Subsection (a) is equal  
21 to the amount of tax paid under this subchapter for gasoline that  
22 qualifies for the refund and is purchased by the rural transit  
23 district.

24 (e) Notwithstanding Subsection (d), the amount of the  
25 refund under Subsection (a) is equal to:

- 26 (1) 50 percent of the amount of tax paid under this  
27 subchapter for gasoline that qualifies for the refund and is

1 purchased by the rural transit district on or after January 1, 2022,  
2 and before January 1, 2023; and

3 (2) 75 percent of the amount of tax paid under this  
4 subchapter for gasoline that qualifies for the refund and is  
5 purchased by the rural transit district on or after January 1, 2023,  
6 and before January 1, 2024.

7 (f) Subsection (e) and this subsection expire September 1,  
8 2024.

9 SECTION 5. Effective January 1, 2024, Section 162.204(a),  
10 Tax Code, is amended to read as follows:

11 (a) The tax imposed by this subchapter does not apply to:

12 (1) diesel fuel sold to the United States for its  
13 exclusive use, provided that the exemption does not apply to diesel  
14 fuel sold or delivered to a person operating under a contract with  
15 the United States;

16 (2) diesel fuel sold to a public school district in  
17 this state for the district's exclusive use;

18 (3) diesel fuel sold to a commercial transportation  
19 company or a metropolitan rapid transit authority operating under  
20 Chapter 451, Transportation Code, that provides public school  
21 transportation services to a school district under Section 34.008,  
22 Education Code, and that uses the diesel fuel only to provide those  
23 services;

24 (4) diesel fuel exported by either a licensed supplier  
25 or a licensed exporter from this state to any other state, provided  
26 that the bill of lading indicates the destination state and the  
27 supplier collects the destination state tax;

1           (5) diesel fuel moved by truck or railcar between  
2 licensed suppliers or licensed permissive suppliers and in which  
3 the diesel fuel removed from the first terminal comes to rest in the  
4 second terminal, provided that the removal from the second terminal  
5 rack is subject to the tax imposed by this subchapter;

6           (6) diesel fuel delivered or sold into a storage  
7 facility of a licensed aviation fuel dealer from which the diesel  
8 fuel will be delivered solely into the fuel supply tanks of aircraft  
9 or aircraft servicing equipment, or sold from one licensed aviation  
10 fuel dealer to another licensed aviation fuel dealer who will  
11 deliver the diesel fuel exclusively into the fuel supply tanks of  
12 aircraft or aircraft servicing equipment;

13           (7) diesel fuel exported to a foreign country if the  
14 bill of lading or shipping documents indicate the foreign  
15 destination and the fuel is actually exported to the foreign  
16 country;

17           (8) dyed diesel fuel sold or delivered by a supplier to  
18 another supplier and dyed diesel fuel sold or delivered by a  
19 supplier or distributor into the bulk storage facility of a dyed  
20 diesel fuel bonded user or to a purchaser who provides a signed  
21 statement as provided by Section [162.206](#);

22           (9) the volume of water, fuel ethanol, renewable  
23 diesel, biodiesel, or mixtures thereof that are blended together  
24 with taxable diesel fuel when the finished product sold or used is  
25 clearly identified on the retail pump, storage tank, and sales  
26 invoice as a combination of diesel fuel and water, fuel ethanol,  
27 renewable diesel, biodiesel, or mixtures thereof;

1           (10) dyed diesel fuel sold by a supplier or permissive  
2 supplier to a distributor, or by a distributor to another  
3 distributor;

4           (11) dyed diesel fuel delivered by a license holder  
5 into the fuel supply tanks of railway engines, motorboats, or  
6 refrigeration units or other stationary equipment powered by a  
7 separate motor from a separate fuel supply tank;

8           (12) dyed kerosene when delivered by a supplier,  
9 distributor, or importer into a storage facility at a retail  
10 business from which all deliveries are exclusively for heating,  
11 cooking, lighting, or similar nonhighway use;

12           (13) diesel fuel used by a person, other than a  
13 political subdivision, who owns, controls, operates, or manages a  
14 commercial motor vehicle as defined by Section 548.001,  
15 Transportation Code, if the fuel:

16                   (A) is delivered exclusively into the fuel supply  
17 tank of the commercial motor vehicle; and

18                   (B) is used exclusively to transport passengers  
19 for compensation or hire between points in this state on a fixed  
20 route or schedule;

21           (14) diesel fuel sold to a volunteer fire department  
22 in this state for the department's exclusive use; ~~[or]~~

23           (15) diesel fuel sold to a nonprofit entity that is  
24 organized for the sole purpose of and engages exclusively in  
25 providing emergency medical services and that uses the diesel fuel  
26 exclusively to provide emergency medical services, including  
27 rescue and ambulance services; or

1           (16) diesel fuel sold to a rural transit district  
2 created under Chapter 458, Transportation Code, that uses the  
3 diesel fuel exclusively to provide public transportation.

4           SECTION 6. Effective January 1, 2024, Section 162.227(a),  
5 Tax Code, is amended to read as follows:

6           (a) A license holder may take a credit on a return for the  
7 period in which the sale occurred if the license holder paid tax on  
8 the purchase of diesel fuel and subsequently resells the diesel  
9 fuel without collecting the tax to:

10           (1) the United States government for its exclusive  
11 use, provided that a credit is not allowed for gasoline used by a  
12 person operating under a contract with the United States;

13           (2) a public school district in this state for the  
14 district's exclusive use;

15           (3) an exporter licensed under this subchapter if the  
16 seller is a licensed supplier or distributor and the exporter  
17 subsequently exports the diesel fuel to another state;

18           (4) a licensed aviation fuel dealer if the seller is a  
19 licensed distributor; ~~or~~

20           (5) a commercial transportation company or a  
21 metropolitan rapid transit authority operating under Chapter 451,  
22 Transportation Code, that provides public school transportation  
23 services to a school district under Section 34.008, Education Code,  
24 and that uses the diesel fuel exclusively to provide those  
25 services; or

26           (6) a rural transit district created under Chapter  
27 458, Transportation Code, that uses the diesel fuel exclusively to



1 provide public transportation.

2 SECTION 7. Section 162.227(f), Tax Code, is amended to read  
3 as follows:

4 (f) A transit company who paid tax on the purchase of diesel  
5 fuel, and is not otherwise entitled to a refund of that tax under  
6 this subchapter, may seek a refund with the comptroller of one-half  
7 of one cent per gallon for diesel fuel used in transit vehicles.

8 SECTION 8. Subchapter C, Chapter 162, Tax Code, is amended  
9 by adding Section 162.2276 to read as follows:

10 Sec. 162.2276. REFUND FOR CERTAIN RURAL TRANSIT DISTRICTS.

11 (a) A rural transit district created under Chapter 458,  
12 Transportation Code, is entitled to a refund in the amount provided  
13 by this section of taxes paid under this subchapter for diesel fuel  
14 used to provide public transportation and may file a refund claim  
15 with the comptroller for that amount.

16 (b) The refund claim under Subsection (a) must contain  
17 information regarding:

- 18 (1) vehicle mileage;  
19 (2) hours of service provided; and  
20 (3) fuel consumed.

21 (c) A rural transit district that requests a refund under  
22 this section shall maintain all supporting documentation relating  
23 to the refund until the sixth anniversary of the date of the  
24 request.

25 (d) The amount of the refund under Subsection (a) is equal  
26 to the amount of tax paid under this subchapter for diesel fuel that  
27 qualifies for the refund and is purchased by the rural transit

1 district.

2 (e) Notwithstanding Subsection (d), the amount of the  
3 refund under Subsection (a) is equal to:

4 (1) 50 percent of the amount of tax paid under this  
5 subchapter for diesel fuel that qualifies for the refund and is  
6 purchased by the rural transit district on or after January 1, 2022,  
7 and before January 1, 2023; and

8 (2) 75 percent of the amount of tax paid under this  
9 subchapter for diesel fuel that qualifies for the refund and is  
10 purchased by the rural transit district on or after January 1, 2023,  
11 and before January 1, 2024.

12 (f) Subsection (e) and this subsection expire September 1,  
13 2024.

14 SECTION 9. Effective January 1, 2024, Section 162.356(a),  
15 Tax Code, is amended to read as follows:

16 (a) The tax imposed by this subchapter does not apply to  
17 compressed natural gas or liquefied natural gas delivered into the  
18 fuel supply tank of:

19 (1) a motor vehicle operated exclusively by the United  
20 States, provided that the exemption does not apply with respect to  
21 fuel delivered into the fuel supply tank of a motor vehicle of a  
22 person operating under a contract with the United States;

23 (2) a motor vehicle operated exclusively by a public  
24 school district in this state;

25 (3) a motor vehicle operated exclusively by a  
26 commercial transportation company or a metropolitan rapid transit  
27 authority operating under Chapter 451, Transportation Code, that

1 provides public school transportation services to a school district  
2 under Section 34.008, Education Code, and that uses the fuel only to  
3 provide those services;

4 (4) a motor vehicle operated exclusively by a  
5 volunteer fire department in this state;

6 (5) a motor vehicle operated exclusively by a  
7 municipality or county in this state;

8 (6) a motor vehicle operated exclusively by a  
9 nonprofit electric cooperative corporation organized under Chapter  
10 161, Utilities Code;

11 (7) a motor vehicle operated exclusively by a  
12 nonprofit telephone cooperative corporation organized under  
13 Chapter 162, Utilities Code;

14 (8) a motor vehicle that is not registered for use on  
15 the public highways of this state and that is used exclusively  
16 off-highway;

17 (9) a motor vehicle operated exclusively by a  
18 nonprofit entity that is organized for the sole purpose of and  
19 engages exclusively in providing emergency medical services and  
20 that uses the fuel exclusively to provide emergency medical  
21 services, including rescue and ambulance services;

22 (9-a) a motor vehicle operated exclusively by a rural  
23 transit district created under Chapter 458, Transportation Code,  
24 that uses the fuel exclusively to provide public transportation;

25 (10) off-highway equipment, a stationary engine, a  
26 motorboat, an aircraft, equipment used solely for servicing  
27 aircraft and used exclusively off-highway, a locomotive, or any

1 device other than a motor vehicle operated or intended to be  
2 operated on the public highways; or

3 (11) except as provided by Subsection (b), a motor  
4 vehicle:

5 (A) used to provide the services of a transit  
6 company, including a metropolitan rapid transit authority under  
7 Chapter 451, Transportation Code, or a regional transportation  
8 authority under Chapter 452, Transportation Code; and

9 (B) operated by a person who on January 1, 2015,  
10 paid tax on compressed natural gas or liquefied natural gas as  
11 provided by Section 162.312, as that section existed on that date.

12 SECTION 10. Subchapter D-1, Chapter 162, Tax Code, is  
13 amended by adding Section 162.3685 to read as follows:

14 Sec. 162.3685. REFUND FOR CERTAIN RURAL TRANSIT DISTRICTS.

15 (a) A rural transit district created under Chapter 458,  
16 Transportation Code, is entitled to a refund in the amount provided  
17 by this section of taxes paid under this subchapter for compressed  
18 natural gas or liquefied natural gas delivered into the fuel supply  
19 tank of a motor vehicle used to provide public transportation and  
20 may file a refund claim with the comptroller for that amount.

21 (b) The refund claim under Subsection (a) must contain  
22 information regarding:

- 23 (1) vehicle mileage;  
24 (2) hours of service provided; and  
25 (3) fuel consumed.

26 (c) A rural transit district that requests a refund under  
27 this section shall maintain all supporting documentation relating

1 to the refund until the sixth anniversary of the date of the  
2 request.

3 (d) The amount of the refund under Subsection (a) is equal  
4 to the amount of tax paid under this subchapter for compressed  
5 natural gas or liquefied natural gas that qualifies for the refund  
6 and is delivered into the fuel supply tank of a motor vehicle.

7 (e) Notwithstanding Subsection (d), the amount of the  
8 refund under Subsection (a) is equal to:

9 (1) 50 percent of the amount of tax paid under this  
10 subchapter for compressed natural gas or liquefied natural gas that  
11 qualifies for the refund and is delivered into the fuel supply tank  
12 of a motor vehicle on or after January 1, 2022, and before January  
13 1, 2023; and

14 (2) 75 percent of the amount of tax paid under this  
15 subchapter for compressed natural gas or liquefied natural gas that  
16 qualifies for the refund and is delivered into the fuel supply tank  
17 of a motor vehicle on or after January 1, 2023, and before January  
18 1, 2024.

19 (f) Subsection (e) and this subsection expire September 1,  
20 2024.

21 SECTION 11. A tax imposed by Chapter 162, Tax Code, does not  
22 apply to gasoline, diesel fuel, compressed natural gas, or  
23 liquefied natural gas to the extent a rural transit district is  
24 entitled to a refund of the tax under Section 162.1276(e)(1) or (2),  
25 Section 162.2276(e)(1) or (2), or Section 162.3685(e)(1) or (2),  
26 Tax Code, as added by this Act. However, the tax must be paid as  
27 otherwise required by law and a rural transit district may apply to

1 the comptroller for the refund provided by that added law.

2           SECTION 12. A change in law made by this Act does not affect  
3 tax liability accruing before the effective date of the change in  
4 law. That liability continues in effect as if this Act had not been  
5 enacted, and the former law is continued in effect for the  
6 collection of taxes due and for civil and criminal enforcement of  
7 the liability for those taxes.

8           SECTION 13. Except as otherwise provided by this Act, this  
9 Act takes effect January 1, 2022.