

BILL ANALYSIS

C.S.H.B. 1332
By: Chisum
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In 2003, the Legislature passed a comprehensive, new motor fuels tax law that moved the point of collection of the tax to the highest point in the motor fuel distribution system, the terminal loading rack. The objective of the new law was to increase revenue from gasoline and diesel used in transportation on and off road. As with any complex new law, a few provisions have resulted in unintended consequences. Under this statute, diesel used as a raw material (feedstock) in manufacturing is subject to the motor fuels tax. Under every other applicable section of the Tax Code raw materials used in manufacturing are not subject to taxation.

Clean-up language adopted by both the House and Senate in 2005, in SB 1863 was mistakenly excluded from the conference committee report. (Identical language was in both versions.) HCR 250 to correct the oversight failed to pass the Senate.

CSHB 1332 would remove the applicability of the motor fuels tax for diesel used as a feedstock in manufacturing and in a medium for the removal of drill cuttings from a well bore in the production of oil or gas.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Amends Section 162.227, Tax Code, by adding subsection (c-1) to allow a person to claim a refund or take a credit for clear diesel fuel used as a manufacturing feedstock or in oil and gas production.

SECTION 2. Effective date: September 1, 2007

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 1332 is a legislative council draft and the original was not.