

BILL ANALYSIS

H.B. 1618
By: Ritter
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Oilfield well service equipment uses public roads very little and, in fact, spends significantly more time operating off-road. Since they do use public roads (even the small amount that they do), current law requires them to pay both federal and state diesel fuel tax. Under Internal Revenue Code, they are entitled to a refund or credit on the federal diesel fuel tax for their off-road use. Under current state law, however, they must pay the diesel fuel tax on their off-road use of diesel, even though off-road diesel fuel use is approximately 90 to 95% of their diesel use.

H.B. 1618 provides that if the owner of the oilfield well service equipment meets the IRS requirements to get a credit or refund for federal diesel taxes paid, there will be a corresponding state diesel tax credit or refund. In turn, by ensuring that the owner has met the federal IRS standards, the Comptroller's administrative burden is lowered and so is the potential for fraud.

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

The bill amends Section 162.227 of Texas' Tax Code [Refund or Credit for Certain Taxes Paid] by adding Subsection (c-1).

Subsection (c-1) maintains that a license holder (as issued by the Comptroller's) office may take a credit on a return for the time period where the purchase took place. Also, Subsection (c-1) provides that a person who does not hold a license may file a refund claim if:

- (1) The license holder has already paid tax on the diesel fuel.
- (2) The diesel fuel is used in Texas by oil field well service equipment; *and*
- (3) The person who purchased the diesel fuel has either received or is eligible to receive a federal diesel fuel tax refund under Internal Revenue Code of 1986 (which relates to the diesel fuel used by the oil field well service equipment).

The effective date of the bill is September 1, 2007.

EFFECTIVE DATE

September 1, 2007.