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S.B. No. 663

A BILL TO BE ENTITLED

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AN ACT

relating to the production and taxation of renewable diesel fuel.

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

SECTION 1. Section 162.001, Tax Code, is amended by amending Subdivision (19) and adding Subdivision (53-a) to read as follows:

(19) "Diesel fuel" means kerosene or another liquid, or a combination of liquids blended together, that is suitable for or used for the propulsion of diesel-powered motor vehicles. The term includes products commonly referred to as kerosene, light cycle oil, #1 diesel fuel, #2 diesel fuel, dyed or undyed diesel fuel, aviation jet fuel, renewable diesel, biodiesel, distillate fuel, cutter stock, or heating oil, but does not include gasoline, aviation gasoline, or liquefied gas.

(53-a) "Renewable diesel" means any motor fuel or mixture of motor fuels that is comprised of hydrocarbons and that is:

(A) derived wholly or partly from agricultural products, vegetable oils, recycled greases, biomass, or animal fats, or the wastes of those products or fats; and

(B) advertised, offered for sale, suitable for use, or used as a motor fuel in an internal combustion engine.

SECTION 2. Subsection (a), Section 162.204, Tax Code, is amended to read as follows:

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

2 (1) diesel fuel sold to the United States for its
3 exclusive use, provided that the exemption does not apply to diesel
4 fuel sold or delivered to a person operating under a contract with
5 the United States;

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

8 (3) diesel fuel sold to a commercial transportation
9 company that provides public school transportation services to a
10 school district under Section 34.008, Education Code, and that uses
11 the diesel fuel only to provide those services;

12 (4) diesel fuel exported by either a licensed supplier
13 or a licensed exporter from this state to any other state, provided
14 that:

15 (A) for diesel fuel in a situation described by
16 Subsection (d), the bill of lading indicates the destination state
17 and the supplier collects the destination state tax; or

18 (B) for diesel fuel in a situation described by
19 Subsection (e), the bill of lading indicates the destination state,
20 the diesel fuel is subsequently exported, and the exporter is
21 licensed in the destination state to pay that state's tax and has an
22 exporter's license issued under this subchapter;

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

1 (6) diesel fuel delivered or sold into a storage
2 facility of a licensed aviation fuel dealer from which the diesel
3 fuel will be delivered solely into the fuel supply tanks of aircraft
4 or aircraft servicing equipment, or sold from one licensed aviation
5 fuel dealer to another licensed aviation fuel dealer who will
6 deliver the diesel fuel exclusively into the fuel supply tanks of
7 aircraft or aircraft servicing equipment;

8 (7) diesel fuel exported to a foreign country if the
9 bill of lading indicates the foreign destination and the fuel is
10 actually exported to the foreign country;

11 (8) dyed diesel fuel sold or delivered by a supplier to
12 another supplier and dyed diesel fuel sold or delivered by a
13 supplier or distributor into the bulk storage facility of a dyed
14 diesel fuel bonded user or to a purchaser who provides a signed
15 statement as provided by Section 162.206;

16 (9) the volume of water, fuel ethanol, renewable
17 diesel, biodiesel, or mixtures thereof that are blended together
18 with taxable diesel fuel when the finished product sold or used is
19 clearly identified on the retail pump, storage tank, and sales
20 invoice as a combination of diesel fuel and water, fuel ethanol,
21 renewable diesel, biodiesel, or mixtures thereof;

22 (10) dyed diesel fuel sold by a supplier or permissive
23 supplier to a distributor, or by a distributor to another
24 distributor;

25 (11) dyed diesel fuel delivered by a license holder
26 into the fuel supply tanks of railway engines, motorboats, or
27 refrigeration units or other stationary equipment powered by a

1 separate motor from a separate fuel supply tank;

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

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

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

12 (B) is used exclusively to transport passengers
13 for compensation or hire between points in this state on a fixed
14 route or schedule.

15 SECTION 3. The heading to Chapter 16, Agriculture Code, is
16 amended to read as follows:

17 CHAPTER 16. FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND RENEWABLE DIESEL
18 PRODUCTION INCENTIVE PROGRAM

19 SECTION 4. Section 16.001, Agriculture Code, is amended by
20 amending Subdivisions (1) and (6) and adding Subdivision (7) to
21 read as follows:

22 (1) "Account" means the fuel ethanol, ~~[and]~~ biodiesel,
23 and renewable diesel production account.

24 (6) "Producer" means a person who operates a fuel
25 ethanol, ~~[or]~~ biodiesel, or renewable diesel plant in this state.

26 (7) "Renewable diesel" means a hydrocarbon that:

27 (A) is derived from vegetable oils, rendered

1 animal fats, renewable lipids, or other biomass, or a combination
2 of those ingredients; and

3 (B) as produced or when blended in various
4 proportions with other diesel fuel components results in a fuel
5 product that meets the requirements of ASTM D-975 or the
6 requirements of Texas Low Emissions Diesel.

7 SECTION 5. Subsections (a) and (b), Section 16.002,
8 Agriculture Code, are amended to read as follows:

9 (a) To be eligible for a grant for fuel ethanol, ~~[or]~~
10 biodiesel, or renewable diesel produced in a plant, a producer must
11 apply to the office for the registration of the plant. A producer
12 may apply for the registration of more than one plant.

13 (b) An application for the registration of a plant must show
14 to the satisfaction of the office that:

15 (1) the plant is capable of producing fuel ethanol, ~~[or]~~
16 biodiesel, or renewable diesel;

17 (2) the producer has made a substantial investment of
18 resources in this state in connection with the plant; and

19 (3) the plant constitutes a permanent fixture in this
20 state.

21 SECTION 6. Subsection (a), Section 16.003, Agriculture
22 Code, is amended to read as follows:

23 (a) On or before the fifth day of each month, a producer
24 shall report to the office on:

25 (1) the number of gallons of fuel ethanol, ~~[or]~~
26 biodiesel, or renewable diesel produced at each registered plant
27 operated by the producer during the preceding month;

1 (2) the number of gallons of fuel ethanol, ~~[or]~~
2 biodiesel, or renewable diesel imported into this state by the
3 producer during the preceding month;

4 (3) the number of gallons of fuel ethanol, ~~[or]~~
5 biodiesel, or renewable diesel sold or blended with motor fuels by
6 the producer during the preceding month; and

7 (4) the total value of agricultural products consumed
8 in each registered plant operated by the producer during the
9 preceding month.

10 SECTION 7. The heading to Section 16.004, Agriculture Code,
11 is amended to read as follows:

12 Sec. 16.004. FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND RENEWABLE
13 DIESEL PRODUCTION ACCOUNT.

14 SECTION 8. Subsection (a), Section 16.004, Agriculture
15 Code, is amended to read as follows:

16 (a) The fuel ethanol, ~~[and]~~ biodiesel, and renewable diesel
17 production account is an account in the general revenue fund that
18 may be appropriated only to the office for the purposes of this
19 chapter, including the making of grants under this chapter.

20 SECTION 9. The heading to Section 16.005, Agriculture Code,
21 is amended to read as follows:

22 Sec. 16.005. FEE ON FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND
23 RENEWABLE DIESEL PRODUCTION.

24 SECTION 10. Subsections (a), (b), and (d), Section 16.005,
25 Agriculture Code, are amended to read as follows:

26 (a) The office shall impose a fee on each producer in an
27 amount equal to 3.2 cents for each gallon of fuel ethanol, ~~[or]~~

1 biodiesel, or renewable diesel produced in each registered plant
2 operated by the producer.

3 (b) For each fiscal year, the office may not impose fees on a
4 producer for more than 18 million gallons of fuel ethanol, ~~[or]~~
5 biodiesel, or renewable diesel produced at any one registered
6 plant.

7 (d) The office may not impose fees on a producer for fuel
8 ethanol, ~~[or]~~ biodiesel, or renewable diesel produced at a
9 registered plant after the 10th anniversary of the date production
10 from the plant begins.

11 SECTION 11. The heading to Section 16.006, Agriculture
12 Code, is amended to read as follows:

13 Sec. 16.006. FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND RENEWABLE
14 DIESEL GRANTS.

15 SECTION 12. Subsections (a), (b), (c), and (e), Section
16 16.006, Agriculture Code, are amended to read as follows:

17 (a) The office, after consultation with the department,
18 shall make grants to producers as an incentive for the development
19 of the fuel ethanol, ~~[and]~~ biodiesel, and renewable diesel industry
20 and agricultural production in this state.

21 (b) A producer is entitled to receive from the account 20
22 cents for each gallon of fuel ethanol, ~~[or]~~ biodiesel, or renewable
23 diesel produced in each registered plant operated by the producer
24 until the 10th anniversary of the date production from the plant
25 begins.

26 (c) For each fiscal year a producer may not receive grants
27 for more than 18 million gallons of fuel ethanol, ~~[or]~~ biodiesel, or

1 renewable diesel produced at any one registered plant.

2 (e) If the office determines that the amount of money
3 credited to the account is not sufficient to distribute the full
4 amount of grant funds to eligible producers as provided by this
5 chapter for a fiscal year, the office shall proportionately reduce
6 the amount of each grant for each gallon of fuel ethanol, ~~[or]~~
7 biodiesel, or renewable diesel produced as necessary to continue
8 the incentive program during the remainder of the fiscal year.

9 SECTION 13. The change in law made by Section 2 of this Act
10 does not affect tax liability accruing before the effective date of
11 this Act. That liability continues in effect as if this Act had not
12 been enacted, and the former law is continued in effect for the
13 collection of taxes due and for civil and criminal enforcement of
14 the liability for those taxes.

15 SECTION 14. The change in law made by this Act to Chapter
16 16, Agriculture Code, applies only to a fee that is imposed on or
17 after the effective date of this Act. A fee that is imposed before
18 the effective date of this Act is governed by the law in effect when
19 the fee was imposed, and that law is continued in effect for that
20 purpose.

21 SECTION 15. This Act takes effect immediately if it
22 receives a vote of two-thirds of all the members elected to each
23 house, as provided by Section 39, Article III, Texas Constitution.
24 If this Act does not receive the vote necessary for immediate
25 effect, this Act takes effect September 1, 2007.