

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 10, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB523 by Woolley (Relating to an exemption from the motor fuels tax for certain kerosene.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB523, As Introduced: a negative impact of (\$520,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$243,000)
2009	(\$277,000)
2010	(\$289,000)
2011	(\$298,000)
2012	(\$314,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from STATE HIGHWAY FUND 6
2008	(\$243,000)	(\$728,000)
2009	(\$277,000)	(\$832,000)
2010	(\$289,000)	(\$867,000)
2011	(\$298,000)	(\$894,000)
2012	(\$314,000)	(\$942,000)

Fiscal Analysis

The bill would amend Chapter 162 of the Tax Code to exempt from the diesel fuel tax dyed or undyed kerosene that is used or consumed in manufacturing or that is a component of a product that is not a motor fuel.

The bill would allow a license holder to take a tax credit or a non-license holder to file a refund claim if tax had been paid on dyed or undyed kerosene that was used or consumed in manufacturing or that became a component of a product that was not a motor fuel.

This change in law would not affect tax liability accruing before the effective date of the bill.

The bill would take effect September 1, 2007.

Methodology

This fiscal note is based upon information provided by the Comptroller's Office.

Currently, undyed kerosene used or consumed in manufacturing or that becomes a component of a product that is not a motor fuel is not exempt from the diesel fuel tax and is not eligible for a credit or refund.

The estimated fiscal impact includes only the quantity of undyed kerosene that would be affected by the bill, because dyed kerosene can currently be purchased tax free.

An allowance was made for the additional amount of diesel fuel tax that would be taken as a credit or refunded under the bill. The estimate for fiscal 2008 was adjusted for the statutory lag in motor fuel tax remittances. The change in revenues was then subjected to the statutory allocation of diesel fuel taxes

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, CT