

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 11, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: HB1618 by Ritter (Relating to a credit or refund for diesel fuel taxes paid on diesel fuel used in this state by certain oil field well service equipment.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1618, As Engrossed: a negative impact of (\$1,176,000) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$559,000)
2009	(\$617,000)
2010	(\$622,000)
2011	(\$627,000)
2012	(\$632,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>AVAILABLE SCHOOL FUND</i> 2	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND</i> 6
2008	(\$559,000)	(\$1,676,000)
2009	(\$617,000)	(\$1,851,000)
2010	(\$622,000)	(\$1,866,000)
2011	(\$627,000)	(\$1,880,000)
2012	(\$632,000)	(\$1,896,000)

Fiscal Analysis

The bill would amend Chapter 162 of the Tax Code to allow a credit or refund of the diesel fuel tax paid on diesel fuel used in certain oil field well service equipment.

Under current law, the diesel fuel tax on undyed diesel fuel used in oil field well service equipment that qualifies to receive a federal diesel fuel tax refund (i.e., mobile machinery vehicles) in the Internal Revenue Code of 1986 is not eligible for a state diesel fuel tax credit or a refund.

The bill would allow a credit or refund of the diesel fuel tax paid on diesel fuel if the diesel fuel was used in Texas by oil field well service equipment, and the person who purchased the diesel fuel had received or was eligible to receive a federal diesel fuel tax refund under the Internal Revenue Code of 1986 (for the diesel fuel to be used by the oil field well service equipment).

The bill would take effect September 1, 2007.

Methodology

This fiscal note is based upon analysis provided by the Comptroller's office.

Under current law, the undyed diesel fuel that would be affected by the bill is taxed at the rate of \$0.20 per gallon.

The Comptroller's estimate is based on survey data from firms operating mobile machinery vehicles used for oil field well servicing, and on the policies in the Internal Revenue Code of 1986 on the same subject. Based on these data, the average amount of diesel fuel that would be used by this equipment was calculated, and the \$0.20 per gallon tax rate was applied to estimate the potential annual revenue loss, which was then trended forward over the five-year projection period.

The first year's revenue loss was adjusted to allow for the statutory lag in motor fuel tax remittances.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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