

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 11, 2007**

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

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

**IN RE: SB635** by Janek (Relating to a credit or refund for taxes paid on diesel fuel used in certain manufacturing or production processes.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB635, As Introduced: a negative impact of (\$1,191,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2008	(\$563,000)
2009	(\$628,000)
2010	(\$645,000)
2011	(\$655,000)
2012	(\$672,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain/(Loss) from AVAILABLE SCHOOL FUND 2</b>	<b>Probable Revenue Gain/(Loss) from STATE HIGHWAY FUND 6</b>
2008	(\$563,000)	(\$1,688,000)
2009	(\$628,000)	(\$1,885,000)
2010	(\$645,000)	(\$1,935,000)
2011	(\$655,000)	(\$1,964,000)
2012	(\$672,000)	(\$2,015,000)

**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 as a feedstock for certain personal property or used for certain procedures in the production of oil or gas.

The bill would allow for a credit or refund of the diesel fuel tax paid on diesel fuel if the diesel fuel were used in Texas as a feedstock in the manufacturing of tangible personal property for resale or in a medium for the removal of drill cuttings from a well bore in the production of oil or gas.

The bill would take effect September 1, 2007

**Methodology**

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

Data from the Texas Railroad Commission were used to estimate the number of oil and gas wells that would be drilled that would use diesel fuel as a medium for the removal of drill cuttings from a well bore in the production of oil or gas. The number of wells that would be drilled was used to estimate the number of gallons of diesel fuel that would be used as a medium for the removal of drill cuttings.

The gallons of diesel fuel that have been used as a feedstock were extracted from Comptroller tax records. These data were used to estimate the gallons of diesel fuel that would be used as a feedstock in the manufacturing of tangible personal property for resale, not as a motor fuel.

The gallonage that would be affected from both sources was totaled, and the \$0.20 per gallon diesel fuel tax rate was applied to estimate the annual revenue loss 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 significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, SD, CT