

## **BILL ANALYSIS**

Senate Research Center  
82R3315 KLA-D

S.B. 724  
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Finance  
3/24/2011  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas law requires persons wishing to purchase tax-free dyed diesel fuel to complete an application for a Texas End User Signed Statement for Purchasing Tax-Free Dyed Diesel Fuel (signed statement). The application must be submitted to the Office of the Comptroller of Public Accounts (comptroller). After the signed statement is approved by the comptroller's office, the applicant is assigned a signed statement number which is used in conjunction with the purchase of tax-free dyed diesel fuel.

The comptroller publishes an online list of persons and companies who have been issued a signed statement number so that distributors of dyed diesel fuel can verify that each purchaser of tax-free fuel is entitled to make such purchases.

Persons using a signed statement number to purchase tax-free dyed diesel fuel may only use the fuel for off-road, tax-exempt purposes and may not purchase more than 10,000 gallons per month. These restrictions are designed to limit opportunities for fuels tax evasion.

It has been reported that some businesses that have been issued a signed statement number have refused to remit payment to the fuel distributor from whom they purchased the tax-free dyed diesel fuel. After defaulting, the same purchaser has refused to remit payment to other fuel distributors from whom they subsequently received fuel.

Persons who have obtained authorization from the comptroller's office to purchase tax-free fuels should not be permitted to utilize that authorization to acquire tax-free fuels without remitting payment for the fuel.

S.B. 724 provides that following a default, distributors who obtain a final judgment with no possibility of further appeal against a prior customer should be able to provide a copy of the judgment to the comptroller's office to suspend the signed statement number of the purchaser. Suspending the signed statement number will ensure that purchasers do not abuse their tax-free status.

As proposed, S.B. 724 amends current law relating to the revocation and reinstatement of an end user number for purposes of purchasing dyed diesel fuel.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 162.206, Tax Code, by adding Subsections (l) and (m), as follows:

- (l) Requires the comptroller of public accounts (comptroller), on receipt of notice of a final judgment entered by a court against a purchaser of dyed diesel fuel for failure to pay an amount owed to a licensed supplier or distributor for the purchase of dyed diesel fuel, to revoke the end user number issued to the purchaser. Requires the comptroller to

provide the notice described by Subsection (e)(2) (relating to notifying a licensed supplier or distributor in writing that the purchaser may no longer make tax-free purchases) to the licensed supplier or distributor if the purchaser's end user number is revoked.

(m) Authorizes the comptroller to reinstate an end user number that is revoked under Subsection (l) on receipt of proof satisfactory to the comptroller that the purchaser whose end user number was revoked has satisfied the judgment described by Subsection (l), including all costs and other amounts awarded in the judgment.

SECTION 2. Provides that the change in law made by this Act applies to the revocation of an end user number of a purchaser of dyed diesel fuel against whom a judgment described by Section 162.206(l), Tax Code, as added by this Act, is entered, regardless of whether the judgment was entered before, on, or after the effective date of this Act.

SECTION 3. Effective date: September 1, 2011.