

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 30, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3086** by Darby (relating to an optional exemption from the diesel fuel tax for materials blended with taxable diesel fuel.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3086, Committee Report 1st House, Substituted: a positive impact of \$11,506,000 through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$5,380,000
2015	\$6,126,000
2016	\$6,395,000
2017	\$6,610,000
2018	\$6,915,000

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
2014	\$5,380,000	\$15,504,000
2015	\$6,126,000	\$17,607,000
2016	\$6,395,000	\$18,378,000
2017	\$6,610,000	\$19,185,000
2018	\$6,915,000	\$19,832,000

Fiscal Analysis

The bill would amend Chapter 162 of the Tax Code relating to an exemption from the diesel fuel tax.

Section 162.204(a)(9) grants an exemption from the diesel fuel tax for the volumes of water, fuel ethanol, renewable diesel, biodiesel, or mixtures thereof that are blended together with taxable diesel fuel when the finished product sold or used is clearly identified on the retail pump, storage

tank, and sales invoice as a combination of diesel fuel and water, fuel ethanol, renewable diesel, biodiesel, or mixtures thereof.

The bill would provide that, instead of claiming and taking the exemption on the non-diesel fuel components in the product and meeting the product identification requirements, a person collecting and remitting the diesel fuel tax could elect to pay the tax on the entire product and the product identification requirements would not apply. Diesel fuel on which tax had been paid under the provisions of the bill is taxable and no entitlement to refund or exemption is otherwise established.

The bill would take effect September 1, 2013.

Methodology

The Comptroller of Public Accounts reports that due to the documented difficulties in complying with the product identification (i.e., labeling) requirements of Section 162.204(a)(9), and considering input from members of the motor fuel distribution industry, it is expected that most of the diesel fuel sold in Texas subject to the diesel fuel tax will be sold using the provisions in this bill. This fiscal analysis assumed that 70 percent of taxable diesel fuel sold in Texas that could qualify for an exemption would be sold under the bill's provisions, resulting in higher net tax collection amounts. The first year's gain was adjusted to allow for the statutory lag in remittances.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, AG