

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 23, 2015

TO: Honorable Joseph Pickett, Chair, House Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3634 by Reynolds (Relating to the authority of a municipality to impose a local tax on the sale of certain motor fuel and to the use of the tax revenue by the municipality; authorizing penalties.), **As Introduced**

There could be an indeterminate revenue gain to the Available School Fund as a result of the provisions of the bill. Due to the provisions of the bill, the Comptroller's office could incur significant costs for administration of municipal motor fuels taxes.

Gains and costs would depend upon the number of municipalities that would opt for an election to impose a local tax on motor fuels, the outcome of that election, the tax rate that might be set and the timing of the imposition of the tax.

The bill would amend the Tax Code regarding the authority of a municipality to impose a local tax on the sale of certain motor fuels.

The bill would add new Chapter 329 to authorize a municipality to impose a tax on gasoline, diesel fuel, compressed natural gas or liquefied natural gas sold to propel a motor vehicle on the public highways. The tax would require approval at an election called for that purpose and held in the municipality, and the tax would be imposed in increments of one cent for each gallon, or gallon-equivalent, of fuel, up to a maximum rate of five cents.

The tax would be collected by a dealer or other person who sells motor fuel in the municipality. The person required to collect the tax would report and send the taxes to the Comptroller. The Comptroller would allocate taxes received on a quarterly basis. Three-fourths of the taxes would be sent to the municipality and one-fourth would be deposited to the Available School Fund. The municipality could use the net tax revenue received only for the construction, maintenance, repair, and rehabilitation of streets, roads, intersections, thoroughfares and bridges located in the municipality; and the purchase, installation, maintenance, and operation of traffic improvements including signs, signals, and other traffic control devices located in the municipality.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill appears to conform, and this analysis assumes it conforms, to the applicable provisions of Texas Constitution, Article 8, Section 7-a.

According to the Comptroller, the agency would need to hire twelve auditors, ten accounts examiners, and four tax compliance officers to administer, collect and allocate the local motor fuels tax at an annual cost of approximately \$2 million in General Revenue in each fiscal year. This cost estimate assumes that all municipalities would opt to impose a local motor fuels tax. Under current law, motor fuels dealers are not required to be licensed. This bill would require approximately 13,621 motor fuels dealers to become licensed to collect the municipality portion of the motor fuel tax. Accounts examiners would be required to review applications, quarterly reports, inventory reports, and any non-processed exceptions. Auditors would need to provide verification of refunds and the enforcement officers would work in the field to ensure tax compliance. To the extent that fewer municipalities elect to impose a local tax on motor fuels than assumed in this analysis, the Comptroller's costs to administer the tax would be reduced.

Local Government Impact

There could be an indeterminate revenue gain to municipalities for transportation projects; however, which municipalities might adopt a local motor fuels tax, the tax rate that might be set and the timing of the imposition of this tax are unknown.

Source Agencies: 304 Comptroller of Public Accounts

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