

BILL ANALYSIS

C.S.H.B. 1294
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are concerns that the current funding scheme for rural transit districts, which involves reliance on state dollars derived from state motor fuel taxes, is unsustainable since these districts are subject to paying the money they receive from these taxes back to the state in taxes on the fuel the districts themselves purchase. These districts, which serve as the primary form of transportation for many in rural communities, deserve to be funded adequately to ensure they are able to maintain service for residents in these communities. C.S.H.B. 1294 seeks to support the operation of these districts by exempting their fuel purchases from the state motor fuel taxes.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1294 amends the Tax Code to exempt gasoline and diesel fuel sold to a rural transit district that uses the fuel exclusively to provide public transportation from the gasoline tax and diesel fuel tax, respectively, and to exempt compressed natural gas or liquefied natural gas delivered into the fuel supply tank of a motor vehicle operated exclusively by a rural transit district that uses the fuel exclusively to provide public transportation from the compressed natural gas and liquefied natural gas tax. These provisions take effect January 1, 2024.

C.S.H.B. 1294 entitles a rural transit district to a refund of the total amount of taxes paid for the applicable fuel that is purchased by the district on or after January 1, 2024, and is used to provide public transportation. The bill sets the amount of the refund for taxes paid for a qualifying fuel purchase before that date as follows:

- 50 percent of the amount of tax paid for the applicable fuel purchased by the district on or after January 1, 2022, and before January 1, 2023; and
- 75 percent of the amount of tax paid for the applicable fuel purchased by the district on or after January 1, 2023, and before January 1, 2024.

The bill authorizes the district to file a refund claim with the comptroller of public accounts for the amount due and requires the district's refund claim to contain information regarding vehicle mileage, hours of service provided, and fuel consumed. The bill requires the district to maintain all supporting documentation relating to the refund until the sixth anniversary of the request date. The bill clarifies that, despite the exemptions, a district must still pay the taxes as otherwise required by law but then may apply for a refund of the amount paid.

C.S.H.B. 1294 includes the resale of gasoline or diesel fuel to a rural transit district without collecting the applicable tax as a circumstance under which holders of certain licenses relating to gasoline and diesel fuel tax may take a credit on a tax return for the period in which the original sale occurred, provided the license holder paid the tax on the original purchase and the fuel is used exclusively to provide public transportation. These provisions take effect January 1, 2024.

EFFECTIVE DATE

Except as otherwise provided, January 1, 2022.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1294 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute delays the effect of the tax exemptions until January 1, 2024, but includes provisions providing for a partial, phased refund of taxes paid on qualifying fuel purchased by a district on or after January 1, 2022, and before January 1, 2024.

The substitute includes a procedural provision clarifying that a district must still pay all fuel taxes due as required by the law but may subsequently request a refund of the amount paid from the comptroller.

The substitute changes the bill's effective date from on passage or, if the bill does not receive the requisite vote, September 1, 2021, to January 1, 2022, except as provided with respect to the provisions that take effect in 2024.