

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

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**April 30, 2023**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB654** by Bailes (Relating to the exemption of hospitals from the diesel fuel tax.), **As Introduced**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would amend several sections of Chapter 162, Tax Code, to provide for the exemption of hospitals from payment of diesel fuel taxes.

The bill would amend Section 162.204(a) by adding subdivision 16 which exempts hospitals licensed under Chapter 241, Health and Safety Code, from the payment of taxes on diesel fuel for their exclusive use.

The bill would add Subsection (f-3) to Section 162.277, to provide for hospitals to file a refund claim with the comptroller's office for the payment of taxes on diesel fuel purchased by hospitals for their exclusive use.

Under current law, several public entities receive an exemption from the payment of diesel fuel taxes. This bill would add hospitals to the list of entities that are exempted from the payment of such taxes and are entitled to file refund claims on the taxes paid for motor fuel that is exclusively used in their operations.

At present, hospitals may purchase tax-free dyed diesel fuel for off-highway equipment (e.g., backup generators) if they obtain a dyed diesel end user signed statement or a dyed diesel bonded users license. With respect to on-highway motor vehicles, hospitals do not currently receive an exemption, nor can they receive a refund for fuel purchased.

The Texas Hospital Association reports that they are not aware of any of their investor-owned member hospitals operating their own ambulances.

Other on-highway motor vehicle use by hospitals would include mobile health clinics—owned and operated by some hospitals—that go out into the community to provide primary care service. It is this type of on-highway diesel fuel use that serves as the focus of this analysis.

Harvard Medical School's Mobile Health Map Project shows that there are 61 Texas-based organizations that provide primary care service through the use of mobile health clinics. Of this number, only 19 mobile health clinics are affiliated with hospitals, as defined in Section 241.003 of Health and Safety Code, Chapter 241.

Using available information from several mobile health clinics operated by/or affiliated with hospitals, data on operations of their mobile health clinics were used to estimate the average annual number of gallons of diesel fuel consumed. This value is multiplied by the number of mobile health clinics in operation in order to arrive at the estimated amount of diesel fuel that would be exempted from taxation. This estimated amount was then projected through 2028 using the annual change in Texas population as prepared for the economic forecast underlying the 2024-25 Biennial Revenue Estimate.

As estimated by the Comptroller's Office, there would be an annual loss of (\$2,000) to the Available School Fund and (\$6,000) to the State Highway Fund.

The bill would take effect September 1, 2023.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JMc, KK, SD