**BILL ANALYSIS**

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| Senate Research Center | C.S.S.B. 2949 |
| 89R22871 JBD-F | By: Hinojosa, Juan "Chuy"; Hinojosa, Adam |
|  | Border Security |
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|  | Committee Report (Substituted) |

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

Since 2021, Texas has seen a sharp rise in motor fuel-related crimes, including crude oil and fuel theft, falsified transport documentation, and the use of overweight or off-route fuel trucks. Unregulated fuel depots and illegal transloading operations have emerged as key elements of this criminal activity, posing serious risks to public safety, the environment, and state commerce.

These developments are driven in part by organized criminal networks operating across the Texas-Mexico border and by gaps in state oversight. Transloading—typically the truck-to-truck transfer of fuel—is frequently used to consolidate loads into overweight vehicles to reduce exposure to cartel extortion at ports of entry. These transfers often occur at unregulated fuel depots established on private land to evade state oversight.

These practices align with broader criminal fuel schemes in Mexico known as "huachicol," involving the theft, adulteration, and black-market sale of fuel. A related practice, "huachicol fiscal," refers to smuggling fuel into Mexico without declaring it to tax or customs authorities. Texas has become a key staging ground for both activities, with criminal groups using falsified documentation and unregulated depots to move fuel southbound for illegal resale.

This cross-border fuel crime has disrupted lawful trade and investment. U.S. energy companies operating in or trading with Mexico have reported significant losses due to theft, fraud, and market distortions caused by untaxed fuel. Some have reduced or withdrawn operations in high-risk areas due to ongoing security concerns. While overweight corridors were designed to facilitate legal freight movement, bad actors have exploited the system by falsifying permits and operating off-route. DPS investigations show that both trucking firms and organized groups engage in unregulated fuel staging and transport using vehicles not suited for hazardous materials, including sand tanks and three-axle trailers. These activities pose severe public safety hazards and cause widespread infrastructure damage.

As introduced, S.B. 2949 seeks to address these serious concerns by enhancing public safety around fuel transportation and ensuring compliance with the Tax Code regarding the exportation of fuel and creating a new criminal offense for unauthorized fuel transport routes under the Transportation Code.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 2949 amends current law relating to certain regulations involving motor fuels or other hazardous materials, including the transportation of motor fuels and other hazardous materials and restrictions on certain motor fuel depots, creates criminal offenses, and authorizes a civil penalty.

**RULEMAKING AUTHORITY**

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

**SECTION BY SECTION ANALYSIS**

ARTICLE 1. MOTOR FUEL TRANSPORTATION

SECTION 1.01. Amends Section 162.001(23), Tax Code, to redefine "export."

SECTION 1.02. Amends Sections 162.004(b) and (e), Tax Code, as follows:

(b) Requires a shipping document to contain certain information and any other information required by the comptroller, including the name and taxpayer number of the transportation company and the name of the operator of the barge, vessel, railroad tank car, or transport vehicle into which the motor fuel was loaded. Makes a nonsubstantive change.

(e) Requires a person to whom a shipping document was issued to take certain actions, including directly delivering the motor fuel to the destination state printed on the shipping document unless the person takes certain actions.

SECTION 1.03. Amends Section 162.006, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Authorizes the Comptroller of Public Accounts of the State of Texas (comptroller) to suspend a motor fuel transporter's license without notice or a hearing if the license holder fails to ensure that all employees or independent contractors who transport motor fuel under the transporter's license hold the specific license or endorsements required to transport hazardous materials required by the state, territory, or country in which the employee or independent contractor resides.

SECTION 1.04. Amends Section 162.104(a), Tax Code, as follows:

(a) Provides that the tax imposed by Subchapter B (Gasoline Tax), Chapter 162 (Motor Fuel Taxes), does not apply to gasoline:

(1)-(3) makes no changes to these subdivisions;

(4) exported by either a licensed supplier or a licensed exporter from this state to any other state within the United States, provided that the bill of lading indicates the destination state and the supplier collects the destination state tax;

(5)-(6) makes no changes to these subdivisions;

(7) directly exported to a foreign country without altering the content of the load by volume or composition if the bill of lading or shipping documents indicate the foreign destination and the fuel is actually exported to the foreign country; or

(8)-(10) makes no changes to these subdivisions.

SECTION 1.05. Amends Section 162.108(e), Tax Code, as follows:

(e) Requires the applicant for a license as a motor fuel transporter to attest that any employee or independent contractor who transports motor fuel under the applicant's license will hold the specific license or endorsements required to transport hazardous materials required by the state, territory, or country in which the employee or independent contractor resides.

SECTION 1.06. Amends Sections 162.110(a) and (c), Tax Code, as follows:

(a) Deletes existing text providing that the license issued to a motor fuel transporter is permanent and is valid during the period the license holder has in force and effect the required bond or security and furnishes timely reports and supplements as required, or until the license is surrendered by the holder or canceled by the comptroller. Makes nonsubstantive changes.

(c) Provides that the license issued to an interstate trucker or motor fuel transporter is valid from the date of its issuance through December 31 of each calendar year or until the license is surrendered by the holder or canceled by the comptroller.

SECTION 1.07. Amends Section 162.1155, Tax Code, by adding Subsections (e) and (f), as follows:

(e) Provides that a person required to report a transaction under Subsection (a) (relating to requiring a person who purchases or removes gasoline tax-free and before export sells the gasoline in this state tax-free to a person who holds a license to report that transaction to the comptroller) is not required to directly transport the exported gasoline if certain criteria are met.

(f) Requires that nothing in Subsection (e) be construed to authorize the in-state diversion, storage, or resale of gasoline under a claimed export exemption unless the gasoline is ultimately exported to another state or territory of the United States or delivered directly to a foreign country without altering the content of the load by volume

or composition and all transactions involving the gasoline are reported in compliance with this chapter.

SECTION 1.08. Amends Section 162.204(a), Tax Code, as follows:

(a) Provides that the tax imposed by Subchapter C (Diesel Fuel Tax), this chapter, does not apply to:

(1)-(3) makes no changes to these subdivisions;

(4) diesel fuel exported by either a licensed supplier or a licensed exporter from this state to any other state within the United States, provided that the bill of lading indicates the destination state and the supplier collects the destination state tax;

(5)-(6) makes no changes to these subdivisions;

(7) diesel fuel directly exported to a foreign country without altering the content of the load by volume or composition if the bill of lading or shipping documents indicate the foreign destination and the fuel is actually exported to the foreign country; or

(8)-(16) makes no changes to these subdivisions.

SECTION 1.09 Amends Section 162.209(e), Tax Code, to make a conforming change.

SECTION 1.10. Amends Sections 162.211(a) and (c), Tax Code, to make conforming changes.

SECTION 1.11. Amends Section 162.2165, Tax Code, by adding Subsections (e) and (f), as follows:

(e) Provides that a person required to report a transaction under Subsection (a) (relating to requiring a person who purchase or removes diesel fuel tax-free and before export sells the diesel fuel in this state tax-free to a person who holds a license to report that transaction to the comptroller) is not required to directly transport the exported diesel fuel if certain criteria are met.

(f) Requires that nothing in Subsection (e) be construed to authorize the in-state diversion, storage, or resale of diesel fuel under a claimed export exemption unless the diesel fuel is ultimately exported to another state or territory of the United States or delivered directly to a foreign country without altering the content of the load by volume

or composition and all transactions involving the diesel fuel are reported in compliance with this chapter.

SECTION 1.12. Amends Section 162.402, Tax Code, by adding Subsection (f), as follows:

(f) Provides that a motor fuel transporter who fails to ensure that an employee or independent contractor who transports motor fuel under the transporter's license holds the specific license or endorsements required to transport hazardous materials required by the state, territory, or country in which the employee or independent contractor resides is liable to this state for a civil penalty in the amount of $25,000 for each occurrence.

SECTION 1.13. Amends Section 162.403, Tax Code, as follows:

Sec. 162.403. CRIMINAL OFFENSES. Provides that, except as provided by Section 162.404 (Criminal Offenses: Special Provisions and Exceptions), a person commits an offense if the person takes certain actions, including if the person makes and delivers or causes to be made and delivered to the comptroller a report or application required under this chapter to be made and delivered to the comptroller, if the report or application contains false information, or transports motor fuel without a cargo manifest or shipping document or presents to a peace officer a shipping document the contents of which are inconsistent with the volume and content of the motor fuel being transported, rather than if the person transports motor fuel for which a cargo manifest or shipping document is required to be carried without possessing or exhibiting on demand by an officer authorized to make the demand a cargo manifest or shipping document containing the information required to be shown on the manifest or shipping document.

SECTION 1.14. Makes application of this article prospective.

SECTION 1.15. Provides that Sections 162.108, 162.110, 162.209, and 162.211, Tax Code, as amended by this article, apply to a license issued to a motor fuel transporter, regardless of whether the license was issued before, on, or after the effective date of this Act.

ARTICLE 2. MOTOR FUEL DEPOTS

SECTION 2.01. Provides that the legislature finds that:

(1) the concentration of unregulated and lightly regulated motor fuel depots near international ports of entry and border crossings poses a growing threat to public safety, tax enforcement, environmental protection, and the uninterrupted flow of lawful trade;

(2) the Senate Committee on Border Security Interim Report to the 89th Legislature documents patterns of misuse at motor fuel depots located near the Texas-Mexico border, including conduct that may exploit exemptions for tax-free motor fuel through fraudulent flash title sales, facilitate the cross-border movement of untaxed or unaccounted-for motor fuel, bypass inspection and enforcement mechanisms through the use of noncredentialed drivers and unlicensed transporters, and stage motor fuel transfers involving overweight vehicles operating outside regulated corridors;

(3) federal enforcement reports and investigative findings indicate that certain transnational criminal networks have incorporated motor fuel theft, laundering, and covert distribution operations into broader illicit enterprises, using motor fuel depots and logistics corridors to evade detection;

(4) the findings described by Subdivision (3) of this section have been recognized by federal sanctions authorities due to the threat such operations pose to economic stability and security on both sides of the border;

(5) the Senate Committee on Border Security Interim Report to the 89th Legislature further found that the proliferation of motor fuel depots and motor fuel transloading sites near the international border enables falsified documentation of origin, destination, or custody of motor fuel shipments; undermines the ability of state agencies to verify compliance with export reporting and tax collection requirements; and contributes to the development of noncompliant or covert transloading operations in proximity to critical infrastructure, posing risks to the health and safety of surrounding communities;

(6) these motor fuel depots also pose environmental and public health risks, including the possibility of accidental spills or explosions from hazardous materials transfers near populated areas, the use of mobile or non-permitted storage units without secondary containment systems, and the potential for contamination of surface water or groundwater through unregulated motor fuel handling practices;

(7) the risk that a hazardous incident involving motor fuel storage or transloading near an international bridge or port of entry could result in significant infrastructure damage is of particular concern to national security;

(8) an event described by Subdivision (7) of this section, whether accidental or intentional, could disrupt cross-border freight and passenger traffic for an extended period, with cascading effects on national and international trade routes, and given the volume of daily commercial crossings, even a temporary closure could result in substantial economic losses affecting supply chains and markets well beyond the border region;

(9) these activities are concentrated near the international border and operate in legal gray zones where federal, state, and local authorities have overlapping or incomplete jurisdiction;

(10) without clear and targeted legislation, motor fuel depots operating in these corridors within border counties may continue to pose systemic risks to national security;

(11) prohibiting the operation of motor fuel depots within counties along the Texas-Mexico border is necessary to prevent tax evasion and fraudulent export practices; disrupt motor fuel-related trafficking to prevent the use of stolen motor fuel as a revenue stream to finance broader criminal enterprises and corruption; protect public health, safety, and

environmental quality; preserve the integrity and reliability of commercial ports and critical freight corridors from transnational criminal threats; and support lawful trade, infrastructure investment, and economic security across Texas and beyond; and

(12) this article represents a valid and necessary exercise of the state's police power to safeguard public safety, commerce, transportation systems, and environmental health in areas that are uniquely vulnerable to cross-border motor fuel-related risks.

SECTION 2.02. Amends Subtitle B, Title 4, Government Code, by adding Chapter 426, as follows:

CHAPTER 426. RESTRICTIONS RELATING TO MOTOR FUEL DEPOTS IN BORDER

COUNTIES

Sec. 426.001. DEFINITIONS. Defines "motor fuel," "motor fuel depot," and "transloading."

Sec. 426.002. MOTOR FUEL DEPOTS IN BORDER COUNTIES PROHIBITED. (a) Prohibits a person from establishing, operating, or assisting in the operation of a motor fuel depot located in a county that borders the United Mexican States, regardless of whether the motor fuel depot is located on public or private property or is intended for permanent or temporary operation.

(b) Provides that, for purposes of Subsection (a), "assists in the operation of a motor fuel depot" includes knowingly allowing a motor fuel depot to operate on property owned or controlled by the person.

Sec. 426.003. CERTAIN CONDUCT RELATED TO MOTOR FUEL TRANSPORTATION PROHIBITED. Prohibits a person from knowingly:

(1) delivering motor fuel to a motor fuel depot located in a county that borders the United Mexican States;

(2) transporting motor fuel to or from a motor fuel depot described by Subdivision (1) using an overweight vehicle that exceeds the weight limitations provided by law and is not operating under a permit issued under Subtitle E (Vehicle Size and Weight), Title 7 (Vehicles and Traffic), Transportation Code; or

(3) falsifying a transport record, shipping document, or bill of lading to disguise the origin or destination of motor fuel.

Sec. 426.004. CRIMINAL PENALTIES. (a) Provides that a person commits an offense if the person violates Sections 426.002 or 426.003.

(b) Provides that an offense under this section involving a violation of Section 426.002 is a Class A misdemeanor, except that the offense is a state jail felony if the actor has been previously convicted one time of an offense punishable under this subsection or a felony of the third degree if the actor has been previously convicted two or more times of an offense punishable under this subsection, the motor fuel depot is located within five miles of an international bridge, port of entry, or border crossing between this state and the United Mexican States, or it is shown on the trial of the offense that the motor fuel depot is linked to environmental contamination or organized criminal activity.

(c) Provides that an offense under this section involving a violation of Section 426.003 is a felony of the second degree.

Sec. 426.005. INJUNCTIVE RELIEF; CIVIL PENALTY. (a) Authorizes the attorney general to institute an action for injunctive relief to restrain a violation of this chapter.

(b) Authorizes the attorney general, in addition to the injunctive relief provided by Subsection (a), to institute an action for a civil penalty against a person who owns or controls property on which a motor fuel depot is located if the person knowingly established, operated, or assisted in the operation of the motor fuel depot in violation of Section 426.002. Prohibits a civil penalty assessed under this subsection from exceeding $25,000 for each day the motor fuel depot is operated in violation of Section 426.002.

Sec. 426.006. DISCIPLINARY ACTION BY REGULATORY AGENCY. Authorizes the appropriate regulatory agency to take disciplinary action against a person who violates this chapter, including by suspending or revoking a license or permit issued to the person.

SECTION 2.03. Amends Article 59.01(2), Code of Criminal Procedure, to redefine "contraband."

ARTICLE 3. MISCELLANEOUS PROVISIONS

SECTION 3.01. Amends Article 18B.202(a), Code of Criminal Procedure, to authorize a district judge to issue an order for the installation and use of a mobile tracking device only on the application of certain persons, including a peace officer commissioned by the comptroller. Makes nonsubstantive changes.

SECTION 3.02. Amends Subchapter G, Chapter 621, Transportation Code, by adding Section 621.512, as follows:

Sec. 621.512. PROHIBITION ON OPERATING CERTAIN OVERWEIGHT VEHICLES TRANSPORTING HAZARDOUS MATERIALS ON ROUTE OTHER THAN DESIGNATED PERMIT ROUTE. (a) Provides that a person commits an offense if the person operates or moves an overweight vehicle with three axles that is transporting hazardous materials under a permit issued under this subtitle on a public highway that is not included in the route designated under the permit.

(b) Provides that an offense under this section is a felony of the second degree.

(c) Provides that it is an affirmative defense to prosecution under this section that, at the time of the offense, the vehicle was being operated or moved under the immediate direction of a law enforcement agency or in compliance with a permit authorizing the movement of the vehicle issued by the Texas Department of Motor Vehicles or a political subdivision of this state.

ARTICLE 4. EFFECTIVE DATE

SECTION 4.01. Effective date: September 1, 2025.