BILL ANALYSIS

Senate Research Center | S.B. 771
89R4129 SRA-F | By: Hinojosa, Juan "Chuy"
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Prior to 2003, Texas provided the same credit/refund for motor fuels tax paid on either gasoline or diesel used to operate auxiliary power units (APUs) and power take-off (PTO) equipment. Because the fuel used to power APUs and PTO equipment is not used to propel a vehicle on the highway, Texas historically provided a credit or rebate for the motor fuel tax paid on either the gasoline or diesel used to power such equipment.

In 2003, when the motor fuels tax was rewritten to change the point of taxation, the credit and refund provisions applicable to tax paid on diesel fuel were eliminated, while the same provisions for tax paid on gasoline were retained. This bill will create a more equitable tax situation by reinstating the credit/refund previously granted to diesel fuel users.

As proposed, S.B. 771 amends current law relating to a credit or refund for diesel fuel taxes paid on diesel fuel used in this state by auxiliary power units or power take-off equipment.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 162.227, Tax Code, by adding Subsection (d-1), as follows:

> (d-1) Authorizes a license holder to take a credit on a return for the period in which the purchase occurred, and authorizes a person who does not hold a license to file a refund claim with the Comptroller of Public Accounts of the State of Texas (comptroller), if the license holder or person paid tax on diesel fuel and the diesel fuel is used in this state by auxiliary power units or power take-off equipment on any motor vehicle. Authorizes the comptroller, if the quantity of that diesel fuel can be accurately measured while the motor vehicle is stationary by any metering or other measuring device or method designed to measure fuel separately from fuel used to propel the motor vehicle, to approve and adopt the use of the device as a basis for determining the quantity of diesel fuel consumed in those operations for a tax credit or refund. Authorizes the license holder, if there is no separate metering device or other approved measuring method, to take the credit and authorizes the person who does not hold a license to claim the refund on a percentage of the diesel fuel consumed by each motor vehicle equipped with an auxiliary power unit or power take-off equipment. Requires the comptroller to determine the percentage of diesel fuel for which the credit or refund is authorized to be claimed. Provides that the climate-control air conditioning or heating system of a motor vehicle that has a primary purpose of providing for the convenience or comfort of the operator or passengers is not a power take-off system, and a credit or refund is prohibited from being allowed for the tax paid on any portion of the diesel fuel that is used for that purpose. Prohibits a credit or refund from being allowed for the diesel fuel tax paid on that portion of the diesel fuel that is used for idling.

SECTION 2. Effective date: September 1, 2025.