

BILL ANALYSIS

Senate Research Center
89R753 RDS-F

S.B. 935
By: Hall
Finance
3/27/2025
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

County governments provide many essential state services to constituents at the local level. Counties provide public safety, build and maintain infrastructure, and provide emergency management services. Specific state transportation-related costs, such as motor fuel taxes, significantly impact county budgets. Motor fuel taxes burden rural counties.

Texas law provides numerous exemptions from gasoline and diesel taxes, including federal entities, volunteer fire departments, and public school districts.

Cass County Judge Travis Ransom reports that Cass County burns over 100,000 gallons of on-road taxed fuel per year, and an exemption from motor fuel taxes would save Cass County approximately \$20,000 annually.

This Bill Would:

- Exempt counties from paying the motor fuels tax only if the fuel is sold to the county and used exclusively for county services;
- Ensure licensed fuel providers or distributors will receive a credit on their return for fuel sales to a county; and
- Allow counties to file a refund claim with the Comptroller of Public Accounts of the State of Texas (comptroller) at the end of the year for all motor fuel taxes paid by the county in that year.

Additional Information:

The motor fuels tax, unchanged since 1991, remains at 20 cents per gallon for gasoline and diesel. According to the comptroller's January 2023 Biennial Revenue Estimate, motor fuel taxes generated about \$5.65 billion in revenue for FY 2024-2025. This represents about 1.3 percent of Texas' revenue. The following counties have approved resolutions supporting this legislation: Bowie, Camp, Cass, Delta, Franklin, Harrison, Hopkins, Lamar, Marion, Morris, Red River, Titus, and Upshur.

As proposed, S.B. 935 amends current law relating to an exemption from certain motor fuel taxes for counties in this state.

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 162.104(a), Tax Code, to provide that the tax imposed by Subchapter B (Gasoline Tax), Chapter 162 (Motor Fuel Taxes), does not apply to gasoline sold under certain circumstances, including gasoline sold to a county in this state for the county's exclusive use.

SECTION 2. Amends Section 162.125, Tax Code, by amending Subsection (a) and adding Subsection (g-3), as follows:

(a) Makes a conforming change this subsection.

(g-3) Provides that a county exempt from the tax imposed under this subchapter that paid tax on the purchase of gasoline is entitled to a refund of the tax paid, and authorizes the county to file a refund claim with the Comptroller of Public Accounts of the State of Texas (comptroller) for that amount.

SECTION 3. Amends Section 162.204(a), Tax Code, to provide that the tax imposed by Subchapter C (Diesel Fuel Tax) does not apply to diesel fuel sold under certain circumstances, including diesel fuel sold to a county in this state for the county's exclusive use.

SECTION 4. Amends Section 162.227, Tax Code, by amending Subsection (a) and adding Subsection (f-3), as follows:

(a) Makes a conforming change to this subsection.

(f-3) Provides that a county exempt from the tax imposed under this subchapter that paid tax on the purchase of diesel fuel is entitled to a refund of the tax paid, and authorizes the county to file a refund claim with the comptroller for that amount.

SECTION 5. Provides that the changes in law made by this Act do not effect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due to for civil and criminal enforcement of the liability of those taxes.

SECTION 6. Effective date: July 1, 2025, or September 1, 2025.