

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 8, 2025

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB935 by Hall (Relating to an exemption from certain motor fuel taxes for counties in this state.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB935, As Introduced: a negative impact of (\$2,293,000) through the biennium ending August 31, 2027, if the effective date of the bill is July 1, 2025; or a negative impact of (\$2,104,000) through the biennium ending August 31, 2027, if the effective date of the bill is September 1, 2025.

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund</i>	<i>Probable Revenue (Loss) from Available School Fund</i>	<i>Probable Revenue (Loss) from State Highway Fund</i>
	1	2	6
2026	(\$89,000)	(\$1,046,000)	(\$3,139,000)
2027	(\$91,000)	(\$1,067,000)	(\$3,202,000)
2028	(\$93,000)	(\$1,089,000)	(\$3,266,000)
2029	(\$95,000)	(\$1,110,000)	(\$3,331,000)
2030	(\$97,000)	(\$1,132,000)	(\$3,397,000)

The above table assumes an effective date of July 1, 2025. The table below assumes an effective date of September 1, 2025.

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund</i>	<i>Probable Revenue (Loss) from Available School Fund</i>	<i>Probable Revenue (Loss) from State Highway Fund</i>
	1	2	6
2026	(\$74,000)	(\$872,000)	(\$2,616,000)
2027	(\$91,000)	(\$1,067,000)	(\$3,202,000)
2028	(\$93,000)	(\$1,089,000)	(\$3,266,000)
2029	(\$95,000)	(\$1,110,000)	(\$3,331,000)
2030	(\$97,000)	(\$1,132,000)	(\$3,397,000)

Fiscal Analysis

The bill would amend Chapter 162 of the Tax Code (Motor Fuels). Gasoline sales to counties for a county's exclusive use would be exempted from taxation. Conforming changes are made for diesel fuel.

The bill would allow counties to request a refund or take a credit on gasoline tax for fuel that had been purchased and used for its exclusive use. Conforming changes are made for diesel fuel.

The bill would take effect July 1, 2025, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2025.

Methodology

To estimate the exemption value, data on the number of county-owned and operated vehicles was obtained from the Texas Department of Motor Vehicles. The current number of registered vehicles owned and operated by Texas counties is 23,966. Of this number, 23,816 vehicles have internal combustion engines that use gasoline or diesel fuel. Around 65 percent of these 23,816 vehicles are comprised of sport utility vehicles, trucks (light, medium, and heavy), and buses. Information from the Comptroller's State of the Fleet Report 2025 indicates a very similar percent of internal combustion vehicles in this vehicle type.

The average vehicle in the state fleet consumes approximately 880 gallons of fuel per year. Given that the over 60 percent of the internal combustion vehicles in both the state and county fleets are composed of sport utility vehicles, trucks (light, medium, and heavy), and buses, it is assumed that the average annual motor fuel consumption per vehicle of the county fleet is the same as that of the state fleet. Therefore, it is estimated the current total county vehicle consumption is approximately 20.95 million gallons of motor fuel and, at 20 cents tax per gallon, yields \$4.2 million in state motor fuel taxes, which amount would be expected to increase gradually in subsequent years.

Local Government Impact

Under current law, several public entities receive an exemption from the payment of gasoline and diesel fuel taxes. This bill would add counties 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, resulting in reduced costs for counties.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD