

SUBJECT: Exempting recreational vehicles from emissions reduction surcharge

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — J. Keffer, Edwards, Grusendorf, Paxton, Ritter, Smithee

0 nays

3 absent — Villarreal, Luna, Woolley

SENATE VOTE: On final passage, April 26 — 27-0

WITNESSES: *(On House companion bill, HB 1874 by Otto:)*

For — Clark McEwen, Texas Recreational Vehicle Association; Mark Nemeth, Escapee RV Club

Against — None

BACKGROUND: The Texas Emissions Reduction Plan (TERP) was established in 2001 (SB 5 by Brown, 77th Legislature) to pay for incentive-based compliance with federal air quality standards through fees and surcharges. Among those fees is a surcharge imposed on every on-road diesel motor vehicle that is heavier than 14,000 pounds sold, leased, or used in the state. Under Tax Code, sec. 152.0215, the TERP surcharge is 2.5 percent for a vehicle with a model year of 1996 or earlier and 1 percent for model year 1997 or later.

DIGEST: SB 867 would exempt recreational vehicles that were not used for profit from the TERP motor vehicle surcharge.

The bill would take effect September 1, 2005, and would apply only to taxes imposed on or after that date.

SUPPORTERS SAY: SB 867 would exempt recreational vehicles, or RVs, from the TERP emissions reduction surcharge so that the assessment only would apply to large commercial vehicles. This would address an oversight in current law that inadvertently includes RVs under the TERP fee. The TERP fee was intended to fund the state clean air program by a modest assessment on large commercial trucks. RVs are an entirely separate class of vehicles that

does not belong under this fee structure.

RVs account for a limited amount of pollution as compared with large commercial trucks. While commercial trucks are on the road for several hours a day, an RV owner typically uses his or her vehicle for only a few weeks out of the year. The sale of RVs as well as the money generated from RV-related tourism contribute millions of dollars to the state's economy, and SB 867 would encourage the growth of this industry.

The Legislative Budget Board estimates that the RV exemption under SB 867 would have only a limited impact on the TERP fund. The \$1.1 million decrease under the bill would represent less than one-half of one percent of the \$314 million expected to accrue to the program in fiscal 2006-07.

**OPPONENTS
SAY:**

Large recreational vehicles are extremely fuel inefficient, and it is appropriate that these vehicles be subject to the TERP fee. The state's emissions reduction program already is underfunded, particularly as Texas cities are trying to come into compliance with the new eight-hour federal Clean Air Act ozone standards that take effect in 2007. SB 867 could make it more difficult to achieve emissions reductions upon which federal highway funding is contingent.

NOTES:

According to the fiscal note, SB 867 would result in a cost of \$1.1 million to the Texas Emissions Reduction Plan account in fiscal 2006-07.

The companion bill, HB 1874 by Otto, was considered in a public hearing by the House Ways and Means committee on April 20 and left pending.