

- SUBJECT:** Creating a motor fuel tax exemption for rural transit districts
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 10 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer, Murphy, Noble, Rodriguez, Shine
- 1 nay — Sanford
- WITNESSES:** For — Lyle Nelson, Capital Area Rural Transportation System (CARTS); Elizabeth Bruchez, The Association For Community Transit (ACT); (*Registered, but did not testify:* Wendy Weedon, Brazos Transit District; Jim Allison, County Judges and Commissioners Association of Texas; Jeff Heckler, Spartan Transit; Wade Long, Texas Transit Association)
- Against — None
- On — (*Registered, but did not testify:* Tom Currah, Comptroller of Public Accounts)
- BACKGROUND:** Tax Code ch. 162 governs state motor fuel taxes. The gasoline tax and the diesel fuel tax are 20 cents per gallon and the compressed and liquefied natural gas tax is 15 cents for each gasoline or diesel gallon equivalent.
- Some have suggested that the current funding of rural transit districts is not sufficient to maintain public transportation for residents in rural communities and that the districts should be exempted from state motor fuel taxes.
- DIGEST:** CSHB 1294 would exempt from motor fuel taxes the gasoline, diesel, compressed natural gas, and liquefied natural gas sold to a rural transit district for use exclusively to provide public transportation. These exemptions would take effect January 1, 2024.
- A rural transit district could be refunded for motor fuel taxes that it paid for such fuels. To do so, a refund claim would have to be filed with the

comptroller with information on vehicle, mileage, hours of service provided, and fuel consumed. A rural transit district requesting a refund would have to maintain all supporting documentation relating to the refund for six years after the date of the request.

The amount of a refund would be the amount of tax paid, except that:

- the amount would be 50 percent of taxes paid on or after January 1, 2022, and before January 1, 2023; and
- the amount would be 75 percent of taxes paid on or after January 1, 2023, and before January 1, 2024.

The holder of a license to supply or distribute fuels could claim a credit for any taxes paid on the purchase of gasoline and diesel fuel that was resold tax-free to a rural transit district that used the fuel exclusively to provide public transportation. This provision would take effect January 1, 2024.

While motor fuel taxes would not apply to fuels to the extent a rural transit district was entitled to a refund under this bill, the taxes would have to be paid as otherwise required by law and a district could apply to the comptroller for a refund of the amount.

The bill would take effect January 1, 2022, except as otherwise provided.

**NOTES:**

According to the Legislative Budget Board, the bill would have a negative impact of \$41,000 to general revenue through fiscal 2023. The bill also would have a negative impact to the State Highway Fund of \$39,000 in fiscal 2022 and \$79,000 in fiscal 2023.