

SUBJECT:	Exempting certain fuel used by a rural transit district from fuel taxes
COMMITTEE:	Ways & Means — favorable, without amendment
VOTE:	10 ayes — Meyer, Thierry, Button, Craddick, Hefner, Muñoz, Noble, Raymond, Shine, Turner  0 nays  1 absent — Gervin-Hawkins
WITNESSES:	For — Jo Marlow, Brazos Transit District ( <i>Registered, but did not testify</i> : Rick Thompson, County Judges and Commissioners Association; Jeff Heckler, Spartan Transit; Wade Long, Texas Transit Association; Michelle Evans)  Against — None  On — ( <i>Registered, but did not testify</i> : Julian Daniels, Comptroller of Public Accounts)
BACKGROUND:	Some have suggested that the current funding scheme for rural transit may not adequately fund and sustain these districts.
DIGEST:	HB 2763 would create tax exemptions for gasoline, diesel fuel, and compressed or liquefied natural gas that was used exclusively to provide public transportation in a rural transit district.  <b>Tax exemptions.</b> The bill would exempt gasoline and diesel fuel sold to a rural transit district that used the fuel exclusively to provide public transportation from the gasoline tax and diesel fuel tax. The bill also would exempt from the compressed natural gas and liquefied natural gas tax compressed natural gas or liquefied natural gas delivered into the fuel supply tank of a motor vehicle operated exclusively by a rural transit district that used the fuel exclusively to provide public transportation.

The bill would include the resale of gasoline or diesel fuel to a rural district without collecting the applicable tax as a circumstance under which certain license holders could take a credit on a tax return for the period in which the original sale occurred, provided the license holder paid the tax on the original purchase and the fuel was used exclusively to provide public transportation. These provisions would take effect January 1, 2026.

**Refunds.** The bill would entitle a rural transit district to a refund of the total amount of taxes paid for the applicable fuel type that was purchased by the district and used to provide public transportation. The amount of the refund for taxes paid for a qualifying fuel purchase before that date would be:

- 50 percent of the amount of tax paid for the applicable fuel purchased by the district between January 1, 2024, and January 1, 2025; and
- 75 percent of the amount of tax paid for the applicable fuel purchased by the district between January 1, 2025, and January 1, 2026.

The bill would authorize the district to file a refund claim with the comptroller for the amount due and would require the claim to contain information regarding the vehicle mileage, hours of service provided, and fuel consumed. The bill would require the district to maintain all supporting documentation relating to the refund until six years after the request date. The bill would clarify that, despite the exemptions, a district would still be required to pay the taxes as otherwise required by law but could apply for a refund of the amount paid.

Provisions related to refund amounts would expire on September 1, 2026.

The bill would also specify that a transit company that paid tax on the purchase of the applicable fuel could seek a refund with the comptroller only if the company was not otherwise entitled to a refund of that tax.

Except as otherwise provided, the bill would take effect January 1, 2024.

NOTES: According to the Legislative Budget Board, HB 2763 would have a negative impact of \$24,000 on general revenue related funds during fiscal 2024-25.