

## **BILL ANALYSIS**

Senate Research Center

S.B. 635  
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Finance  
3/14/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 2003, the 78th Legislature enacted H.B. 2458, moving diesel fuel tax collections from the distributor of diesel fuel to the terminal to better capture excise tax for gasoline and diesel used in transportation on and off road. However, diesel is also used as a raw material in manufacturing, and prior to the enactment of H.B. 2458, all raw materials used in the manufacturing process were exempted from taxation under the Tax Code. Clarifying language may be necessary keep this use of diesel fuel consistent with current policy for all other raw materials.

As proposed, S.B. 635 exempts diesel fuel that is used as a raw material from the motor fuels sales tax.

### **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 162.227, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Authorizes certain license holders to take a credit on a return for the period in which the purchase occurred and authorizes a person who is not a license holder under this subchapter to file a refund claim with the comptroller of public accounts if the license holder or person paid tax on diesel fuel and that fuel is used in this state as a feedstock in the manufacturing of tangible personal property for resale not as motor fuel, or in a medium for the removal of drill cuttings from a well bore in the production of oil or gas.

SECTION 2. Effective date: September 1, 2007.