

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

5-30-09

Date

Honorable David Dewhurst
President of the Senate

Honorable Joe Straus
Speaker of the House of Representatives

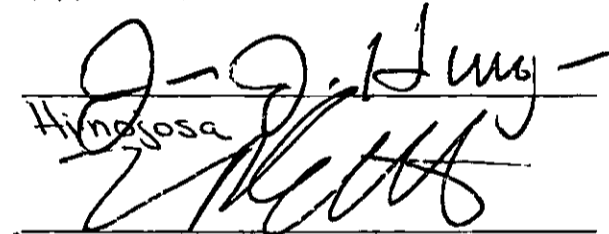
Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on HB 2582 have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

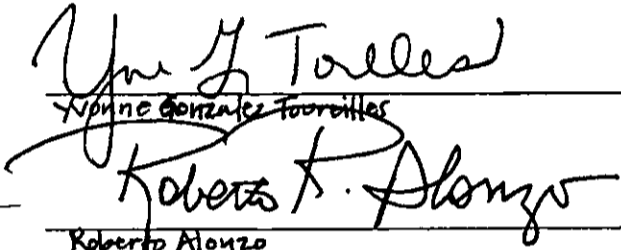

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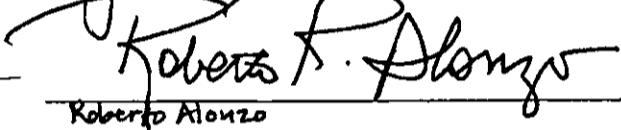

Patrick

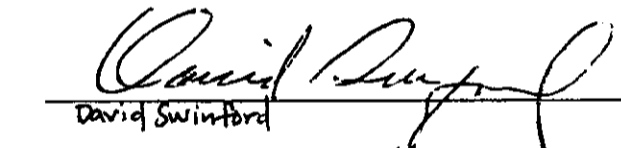
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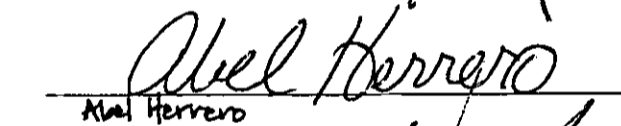

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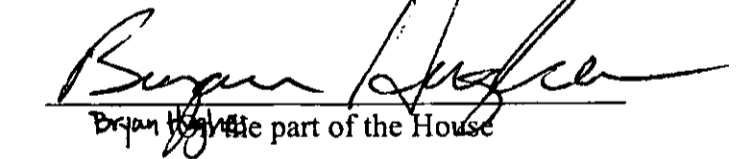
Elmer On the part of the Senate


Yvonne Gonzalez Torrealba


Roberto Alonzo


David Swinford


Abel Herrero


Bryan Hogue
On the part of the House

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

H.B. No. 2582

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the production and taxation of renewable diesel fuel.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Section 162.001, Tax Code, is amended by
5 amending Subdivisions (7) and (19) and adding Subdivision (53-a) to
6 read as follows:

7 (7) "Biodiesel fuel" has the meaning assigned to
8 "biodiesel" by Section 16.001, Agriculture Code [~~means any motor~~
9 ~~fuel or mixture of motor fuels that is:~~

10 [~~(A) derived wholly or partly from agricultural~~
11 ~~products, vegetable oils, recycled greases, or animal fats, or the~~
12 ~~wastes of those products or fats, and~~

13 [~~(B) advertised, offered for sale, suitable for~~
14 ~~use, or used as a motor fuel in an internal combustion engine].~~

15 (19) "Diesel fuel" means kerosene or another liquid,
16 or a combination of liquids blended together, that is suitable for
17 or used for the propulsion of diesel-powered motor vehicles. The
18 term includes products commonly referred to as kerosene, light
19 cycle oil, #1 diesel fuel, #2 diesel fuel, dyed or undyed diesel
20 fuel, aviation jet fuel, renewable diesel, biodiesel, distillate
21 fuel, cutter stock, or heating oil, but does not include gasoline,
22 aviation gasoline, or liquefied gas.

23 (53-a) "Renewable diesel" has the meaning assigned by
24 Section 16.001, Agriculture Code.

1 SECTION 2. Section 162.204(a), Tax Code, is amended to read
2 as follows:

3 (a) The tax imposed by this subchapter does not apply to:

4 (1) diesel fuel sold to the United States for its
5 exclusive use, provided that the exemption does not apply to diesel
6 fuel sold or delivered to a person operating under a contract with
7 the United States;

8 (2) diesel fuel sold to a public school district in
9 this state for the district's exclusive use;

10 (3) diesel fuel sold to a commercial transportation
11 company or a metropolitan rapid transit authority operating under
12 Chapter 451, Transportation Code, that provides public school
13 transportation services to a school district under Section 34.008,
14 Education Code, and that uses the diesel fuel only to provide those
15 services;

16 (4) diesel fuel exported by either a licensed supplier
17 or a licensed exporter from this state to any other state, provided
18 that:

19 (A) for diesel fuel in a situation described by
20 Subsection (d), the bill of lading indicates the destination state
21 and the supplier collects the destination state tax; or

22 (B) for diesel fuel in a situation described by
23 Subsection (e), the bill of lading indicates the destination state,
24 the diesel fuel is subsequently exported, and the exporter is
25 licensed in the destination state to pay that state's tax and has an
26 exporter's license issued under this subchapter;

27 (5) diesel fuel moved by truck or railcar between

1 licensed suppliers or licensed permissive suppliers and in which
2 the diesel fuel removed from the first terminal comes to rest in the
3 second terminal, provided that the removal from the second terminal
4 rack is subject to the tax imposed by this subchapter;

5 (6) diesel fuel delivered or sold into a storage
6 facility of a licensed aviation fuel dealer from which the diesel
7 fuel will be delivered solely into the fuel supply tanks of aircraft
8 or aircraft servicing equipment, or sold from one licensed aviation
9 fuel dealer to another licensed aviation fuel dealer who will
10 deliver the diesel fuel exclusively into the fuel supply tanks of
11 aircraft or aircraft servicing equipment;

12 (7) diesel fuel exported to a foreign country if the
13 bill of lading indicates the foreign destination and the fuel is
14 actually exported to the foreign country;

15 (8) dyed diesel fuel sold or delivered by a supplier to
16 another supplier and dyed diesel fuel sold or delivered by a
17 supplier or distributor into the bulk storage facility of a dyed
18 diesel fuel bonded user or to a purchaser who provides a signed
19 statement as provided by Section 162.206;

20 (9) the volume of water, fuel ethanol, renewable
21 diesel, biodiesel, or mixtures thereof that are blended together
22 with taxable diesel fuel when the finished product sold or used is
23 clearly identified on the retail pump, storage tank, and sales
24 invoice as a combination of diesel fuel and water, fuel ethanol,
25 renewable diesel, biodiesel, or mixtures thereof;

26 (10) dyed diesel fuel sold by a supplier or permissive
27 supplier to a distributor, or by a distributor to another

1 distributor;

2 (11) dyed diesel fuel delivered by a license holder
3 into the fuel supply tanks of railway engines, motorboats, or
4 refrigeration units or other stationary equipment powered by a
5 separate motor from a separate fuel supply tank;

6 (12) dyed kerosene when delivered by a supplier,
7 distributor, or importer into a storage facility at a retail
8 business from which all deliveries are exclusively for heating,
9 cooking, lighting, or similar nonhighway use; or

10 (13) diesel fuel used by a person, other than a
11 political subdivision, who owns, controls, operates, or manages a
12 commercial motor vehicle as defined by Section 548.001,
13 Transportation Code, if the fuel:

14 (A) is delivered exclusively into the fuel supply
15 tank of the commercial motor vehicle; and

16 (B) is used exclusively to transport passengers
17 for compensation or hire between points in this state on a fixed
18 route or schedule.

19 SECTION 3. The heading to Chapter 16, Agriculture Code, is
20 amended to read as follows:

21 CHAPTER 16. FUEL ETHANOL, ~~AND~~ BIODIESEL, AND RENEWABLE DIESEL
22 PRODUCTION INCENTIVE PROGRAM

23 SECTION 4. Section 16.001, Agriculture Code, is amended by
24 amending Subdivisions (1), (3), and (6) and adding Subdivision (7)
25 to read as follows:

26 (1) "Account" means the fuel ethanol, ~~and~~ biodiesel,
27 and renewable diesel production account.

1 (3) "Biodiesel" means a motor fuel that:

2 (A) meets the registration requirements for
3 fuels and fuel additives established by the United States
4 Environmental Protection Agency under Section 211 of the federal
5 Clean Air Act (42 U.S.C. Section 7545);

6 (B) is mono-alkyl esters of long chain fatty
7 acids derived from vegetable oils and animal fats;

8 (C) meets the requirements of ASTM specification
9 D-6751;

10 (D) is intended for use in engines that are
11 designed to run on conventional, petroleum-derived diesel fuel; and

12 (E) is derived from agricultural products,
13 vegetable oils, recycled greases, biomass, or animal fats or the
14 wastes of those products or fats [a monoalkyl ester that

15 ~~[(A) is derived from vegetable oils, rendered~~
16 ~~animal fats, or renewable lipids or a combination of those~~
17 ~~ingredients, and~~

18 ~~[(B) meets the requirements of ASTM PS 121, the~~
19 ~~provisional specification for biodiesel].~~

20 (6) "Producer" means a person who operates a fuel
21 ethanol, ~~[or]~~ biodiesel, or renewable diesel plant in this state.

22 (7) "Renewable diesel" means a motor fuel that:

23 (A) meets the registration requirements for
24 fuels and fuel additives established by the United States
25 Environmental Protection Agency under Section 211 of the federal
26 Clean Air Act (42 U.S.C. Section 7545);

27 (B) is a hydrocarbon;

1 (C) meets the requirements of ASTM specification
2 D-975;

3 (D) is intended for use in engines that are
4 designed to run on conventional, petroleum-derived diesel fuel; and

5 (E) is derived from agricultural products,
6 vegetable oils, recycled greases, biomass, or animal fats or the
7 wastes of those products or fats.

8 SECTION 5. Sections 16.002(a) and (b), Agriculture Code,
9 are amended to read as follows:

10 (a) To be eligible for a grant for fuel ethanol, ~~[or]~~
11 biodiesel, or renewable diesel produced in a plant, a producer must
12 apply to the office for the registration of the plant. A producer
13 may apply for the registration of more than one plant.

14 (b) An application for the registration of a plant must show
15 to the satisfaction of the office that:

16 (1) the plant is capable of producing fuel ethanol,
17 ~~[or]~~ biodiesel, or renewable diesel;

18 (2) the producer has made a substantial investment of
19 resources in this state in connection with the plant; and

20 (3) the plant constitutes a permanent fixture in this
21 state.

22 SECTION 6. Section 16.003(a), Agriculture Code, is amended
23 to read as follows:

24 (a) On or before the fifth day of each month, a producer
25 shall report to the office on:

26 (1) the number of gallons of fuel ethanol, ~~[or]~~
27 biodiesel, or renewable diesel produced at each registered plant

1 operated by the producer during the preceding month;

2 (2) the number of gallons of fuel ethanol, ~~[or]~~
3 biodiesel, or renewable diesel imported into this state by the
4 producer during the preceding month;

5 (3) the number of gallons of fuel ethanol, ~~[or]~~
6 biodiesel, or renewable diesel sold or blended with motor fuels by
7 the producer during the preceding month; and

8 (4) the total value of agricultural products consumed
9 in each registered plant operated by the producer during the
10 preceding month.

11 SECTION 7. The heading to Section 16.004, Agriculture Code,
12 is amended to read as follows:

13 Sec. 16.004. FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND RENEWABLE
14 DIESEL PRODUCTION ACCOUNT.

15 SECTION 8. Section 16.004(a), Agriculture Code, is amended
16 to read as follows:

17 (a) The fuel ethanol, ~~and~~ biodiesel, and renewable diesel
18 production account is an account in the general revenue fund that
19 may be appropriated only to the office for the purposes of this
20 chapter, including the making of grants under this chapter.

21 SECTION 9. The heading to Section 16.005, Agriculture Code,
22 is amended to read as follows:

23 Sec. 16.005. FEE ON FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND
24 RENEWABLE DIESEL PRODUCTION.

25 SECTION 10. Sections 16.005(a), (b), and (d), Agriculture
26 Code, are amended to read as follows:

27 (a) The office shall impose a fee on each producer in an

1 amount equal to 3.2 cents for each gallon of fuel ethanol, ~~[or]~~
2 biodiesel, or renewable diesel produced in each registered plant
3 operated by the producer.

4 (b) For each fiscal year, the office may not impose fees on a
5 producer for more than 18 million gallons of fuel ethanol, ~~[or]~~
6 biodiesel, or renewable diesel produced at any one registered
7 plant.

8 (d) The office may not impose fees on a producer for fuel
9 ethanol, ~~[or]~~ biodiesel, or renewable diesel produced at a
10 registered plant after the 10th anniversary of the date production
11 from the plant begins.

12 SECTION 11. The heading to Section 16.006, Agriculture
13 Code, is amended to read as follows:

14 Sec. 16.006. FUEL ETHANOL, ~~[AND]~~ BIODIESEL, AND RENEWABLE
15 DIESEL GRANTS.

16 SECTION 12. Sections 16.006(a), (b), (c), and (e),
17 Agriculture Code, are amended to read as follows:

18 (a) The office, after consultation with the department,
19 shall make grants to producers as an incentive for the development
20 of the fuel ethanol, ~~[and]~~ biodiesel, and renewable diesel industry
21 and agricultural production in this state.

22 (b) A producer is entitled to receive from the account 20
23 cents for each gallon of fuel ethanol, ~~[or]~~ biodiesel, or renewable
24 diesel produced in each registered plant operated by the producer
25 until the 10th anniversary of the date production from the plant
26 begins. The incentive under this subsection is payable only on that
27 part of each gallon of fuel produced from renewable resources.

1 (c) For each fiscal year a producer may not receive grants
2 for more than 18 million gallons of fuel ethanol, ~~[or]~~ biodiesel, or
3 renewable diesel produced at any one registered plant.

4 (e) If the office determines that the amount of money
5 credited to the account is not sufficient to distribute the full
6 amount of grant funds to eligible producers as provided by this
7 chapter for a fiscal year, the office shall proportionately reduce
8 the amount of each grant for each gallon of fuel ethanol, ~~[or]~~
9 biodiesel, or renewable diesel produced as necessary to continue
10 the incentive program during the remainder of the fiscal year.

11 SECTION 13. The change in law made by Section 2 of this Act
12 does not affect tax liability accruing before the effective date of
13 this Act. That liability continues in effect as if this Act had not
14 been enacted, and the former law is continued in effect for the
15 collection of taxes due and for civil and criminal enforcement of
16 the liability for those taxes.

17 SECTION 14. The change in law made by this Act to Chapter
18 16, Agriculture Code, applies only to a fee that is imposed on or
19 after the effective date of this Act. A fee that is imposed before
20 the effective date of this Act is governed by the law in effect when
21 the fee was imposed, and that law is continued in effect for that
22 purpose.

23 SECTION 15. This Act takes effect immediately if it
24 receives a vote of two-thirds of all the members elected to each
25 house, as provided by Section 39, Article III, Texas Constitution.
26 If this Act does not receive the vote necessary for immediate
27 effect, this Act takes effect September 1, 2009.

House Bill 2582
Conference Committee Report
Section-by-Section Analysis

| HOUSE VERSION | SENATE VERSION | CONFERENCE |
|--|------------------------|------------------------|
| SECTION 1. Section 162.001, Tax Code, is amended by amending Subdivisions (7) and (19) and adding Subdivision (53-a). | Same as House version. | Same as House version. |
| SECTION 2. Section 162.204(a), Tax Code, is amended. | Same as House version. | Same as House version. |
| SECTION 3. The heading to Chapter 16, Agriculture Code, is amended. | Same as House version. | Same as House version. |
| SECTION 4. Section 16.001, Agriculture Code, is amended by amending Subdivisions (1), (3), and (6) and adding Subdivision (7). | Same as House version. | Same as House version. |
| SECTION 5. Sections 16.002(a) and (b), Agriculture Code, are amended. | Same as House version. | Same as House version. |
| SECTION 6. Section 16.003(a), Agriculture Code, is amended. | Same as House version. | Same as House version. |
| SECTION 7. The heading to Section 16.004, Agriculture Code, is amended. | Same as House version. | Same as House version. |

House Bill 2582
Conference Committee Report
Section-by-Section Analysis

| HOUSE VERSION | SENATE VERSION | CONFERENCE |
|--|--|------------------------|
| SECTION 8. Section 16.004(a), Agriculture Code, is amended. | Same as House version. | Same as House version. |
| SECTION 9. The heading to Section 16.005, Agriculture Code, is amended. | Same as House version. | Same as House version. |
| SECTION 10. Sections 16.005(a), (b), and (d), Agriculture Code, are amended. | Same as House version. | Same as House version. |
| SECTION 11. The heading to Section 16.006, Agriculture Code, is amended. | Same as House version. | Same as House version. |
| SECTION 12. Sections 16.006(a), (b), (c), and (e), Agriculture Code, are amended | Same as House version. | Same as House version. |
| No equivalent provision. | SECTION __. Adds Section 16.007, Title 2, Chapter 16, Agriculture Code, COMPLIANCE WITH FUEL STANDARDS AND SPECIFICATIONS. | Same as House version. |
| SECTION 13. Saving provision. | Same as House version. | Same as House version. |

House Bill 2582
Conference Committee Report
Section-by-Section Analysis

| HOUSE VERSION | SENATE VERSION | CONFERENCE |
|-------------------------------|------------------------|------------------------|
| SECTION 14. Saving provision. | Same as House version. | Same as House version. |
| SECTION 15. Effective date. | Same as House version. | Same as House version. |

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 30, 2009

**TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives**

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2582 by Gonzalez Toureilles (Relating to the production and taxation of renewable diesel fuel.), Conference Committee Report

Depending upon the amount of diesel fuel used by motor vehicles, there could be an indeterminate amount of revenue loss to the state.

The bill would amend the Tax Code Code to exempt renewable diesel from the diesel fuel tax.

The bill would amend the Agriculture Code to include renewable diesel in the Fuel Ethanol and Biodiesel Production Incentive Program.

The Comptroller of Public Accounts indicates that the effect of the motor fuel tax exemption for renewable diesel cannot be estimated, because it is not possible to forecast how many gallons, if any, of the fuel would be used to propel motor vehicles on public roads.

The Department of Agriculture indicates that any costs associated with the bill could be absorbed within the agency's existing resources.

The bill would take effect immediately if it receives a vote of two-thirds of all members elected to each house; otherwise it would take effect September 1, 2009.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 551 Department of Agriculture

LBB Staff: JOB, SD, ZS, AH, KK