HOUSE RESEARCH ORGANIZATION bill analysis — 5/3/1999

HB 3159
Oliveira
(CSHB 3159 by Oliveira)

SUBJECT: Diesel fuel tax exemption for intercity passenger bus service

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Oliveira, Bonnen, Craddick, Heflin, Keffer, T. King, Ramsay, Sadler

0 nays

3 absent — McCall, Y. Davis, Hilbert

WITNESSES: For — Robert Farris, Valley Transit Co.; Randy Isaacs, Greyhound Lines; William Murphey, Sun Set Stages; Jerry Prestridge, Texas Bus Association

Against — Jennifer McPhail, Adapt of Texas; Albert Metz

BACKGROUND: Unlike rail and air carriers, bus carriers providing public transportation do not receive an exemption from the 20-cent-per-gallon state tax on diesel fuel, except for charters that transport school children within the state. After deducting 1 percent for enforcement, 25 percent of diesel fuel tax collections goes to the available school fund and 75 percent goes to the state highway fund.

Federal Department of Transportation (DOT) regulations require intercity bus carriers to equip buses used on scheduled routes with lift equipment to comply with the federal Americans with Disabilities Act (ADA). DOT also requires all station stops to be ADA-compliant.

DIGEST: CSHB 3159 would amend Tax Code, sec. 153.203 to exempt from the state tax diesel fuel used exclusively by certain commercial motor vehicles to transport passengers along fixed, scheduled routes. The exemption would apply to commercial motor vehicles under Transportation Code, sec. 548.001, defined as self-propelled vehicles weighing less than 48,000 pounds that are designed to transport 15 or more passengers. To qualify for the exemption, the diesel fuel would have to be delivered directly into the fuel-supply tank of the vehicle and used exclusively to transport passengers for compensation or hire along scheduled intercity routes.

The bill would enable people who paid the tax but used the fuel according to the new provisions to apply to the comptroller for a refund.

CSHB 3159 would take effect September 1, 1999, and would apply only to diesel fuel purchased on or after that date.

SUPPORTERS SAY:

CSHB 3159 could help preserve scheduled intercity bus service at many small, rural Texas towns that count on this service but that do not provide enough revenue to make the routes profitable.

Scheduled intercity bus service is the only public passenger transportation available at many rural cities and towns. Passengers of this service are mainly students, the elderly, and low-income Texans. These carriers are also often the sole source of same-day service for the intercity delivery of automobile and truck parts, blood for rural hospitals, and agricultural implements and accessories. Maintenance and operation of terminals and commission agencies provide jobs to local residents.

Other modes of passenger transportation receive federal subsidies, and air and rail carriers are exempt from the state diesel-fuel tax, even though they provide little, if any, scheduled service to smaller towns. CSHB 3159 would treat bus carriers the same as other modes of passenger transportation. Bus carriers cause less damage to highways than do other commercial vehicles, and they are more energy-efficient and less harmful to the environment than traveling by car or rail.

Scheduled intercity bus carriers provide daily service to 431 Texas cities, 60 percent of which have a population of 5,000 or less. In 1998, the nine largest intercity bus carriers operated nearly 40 million miles along their scheduled routes. However, scheduled service is declining in Texas because of higher costs and competitors that operate only the more profitable routes.

Pressure is increasing on intercity carriers to eliminate service at intermediate points along their routes, especially those that have fewer passengers or are located in more remote areas. The costs of new buses, parts and repairs, labor costs, and maintenance have increased about 5 percent a year. Only so much of these cost increases can be passed on to travelers until they are priced out of the market.

In addition, complying with the ADA is an expensive, though important, undertaking. The cost of installing lifts onto a bus is about $35,000 per unit. DOT regulations also require all station stops to be ADA-compliant. Carriers bear much of the cost of these renovations, as the commission agent rarely is willing to pay. Federal funds allocated for bus-carrier compliance cover only about 12 percent of the cost.

OPPONENTS SAY:

The tax break envisioned in CSHB 3159 should not be given to all carriers but instead should be used as an incentive to encourage transit companies to comply fully with the ADA well before the mandated 2008 deadline. In other words, only buses equipped with lifts should be allowed to receive the exemption. Since the fuel would have to be pumped directly into the bus to qualify for the exemption, it would be simple to monitor the compliance of individual vehicles.

Most over-the-road coaches are not equipped with lifts, and many stations cannot accommodate people with disabilities. Full ADA compliance would ensure that disabled passengers could choose any scheduled route and would provide transit companies with potential new customers who cannot travel with them now.

Reducing fuel-tax collections results in fewer federal transportation dollars. The bill’s fiscal note indicates a $3.6 million reduction in federal funds to the state highway fund by 2002, in addition to $5.5 million in lost state revenues for the highway fund. Texas already faces a shortage of available highway funds for critically needed projects. The state would get far more economic value by keeping these tax revenues available for matching funds for highway projects than through this proposed tax exemption.

OTHER OPPONENTS SAY:

Preserving intercity bus service is a reasonable policy, but diesel fuel tax exemptions are not the best way to achieve this goal. The state could preserve its share of federal highway dollars while helping to sustain bus carriers by providing a direct subsidy to passenger carriers, as many states do.

Tax incentives — which, like appropriations, involve the directing of state funds — ought to be reviewed periodically as well. The Legislature should require the comptroller to prepare a report on the effectiveness and economic benefit of tax incentives. Such a report would provide the Legislature with quantitative evidence to determine whether these incentives should be extended, modified, or eliminated. Study of this particular tax incentive also should discuss compliance with ADA.

NOTES: The committee substitute is a Legislative Council draft that made nonsubstantive, clarifying changes to the original.