

# Off-Road, Heavy-Duty Diesel Equipment Surcharge

The surcharge on heavy-duty, diesel-powered equipment has been increased and broadened effective July 1, 2003.

## The Texas Emissions Reduction Plan (TERP)

To help improve the state's air quality and comply with federal pollution emission standards, the Texas Legislature has amended the Texas Emissions Reduction Plan (TERP).

TERP provides funding for cleaner on- and off-road engines; programs for energy efficiency, cleaner fuels and related infrastructure; and research and development of new technologies related to improved air quality.

## Changes in the Surcharge

The following changes in the surcharge are effective July 1, 2003:

- 1.rate increases from 1 percent to 2 percent
- 2.applies to all equipment not exempt from sales and use tax
- 3.applies to equipment purchased out of state for use in Texas and to equipment purchased by direct payment permit holders.

## Applying the Surcharge

The surcharge is 2 percent of the sale, lease or rental price of heavy-duty, off-road diesel-powered equipment. The surcharge is in addition to regular state and local sales taxes and is collected by the dealer or lessor. Buyers who do not pay the sales or use tax to the seller or lessor should accrue the 2 percent surcharge along with sales and use tax and report it directly to the Comptroller.

## Lease Agreements

Prior to September 1, 2001 - No Surcharge

Sept. 1, 2001 to June 30, 2003 - 1 Percent Surcharge

July 1, 2003 Forward - 2 Percent Surcharge

The surcharge does not apply to a lease or rental of heavy-duty, diesel powered construction equipment if the agreement was entered into before

September 1, 2001. The previous 1 percent rate continues to apply to leases entered into on or after September 1, 2001 and before July 1,2003. The new higher rate does not apply to these leases for the term of the original lease. New leases or rentals, renewals or extensions of leases or rentals of diesel-powered, heavy-duty equipment are subject to the 2 percent rate if the agreements are entered into on or after July 1,2003. Expired lease/rental agreements that convert to a month-to-month lease are considered a new lease/rental.

## Equipment Subject to Surcharge

The 2 percent surcharge is due on all diesel-powered equipment of 50 or more horsepower, new and used, including mobile or stationary equipment used in construction, mining and other activities with the exception of oil and gas exploration and production, and agricultural production activities.