

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 21, 2009**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: HB3144** by Gonzalez Toureilles (Relating to an exemption from the sales and use tax for parts for certain machinery and equipment used in agricultural operations and for aircraft used in connection with agriculture.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3144, As Engrossed: a negative impact of (\$1,000,000) through the biennium ending August 31, 2011.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$500,000)
2011	(\$500,000)
2012	(\$500,000)
2013	(\$500,000)
2014	(\$500,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2010	(\$500,000)	(\$93,000)	(\$32,000)	(\$13,000)
2011	(\$500,000)	(\$93,000)	(\$32,000)	(\$13,000)
2012	(\$500,000)	(\$93,000)	(\$32,000)	(\$13,000)
2013	(\$500,000)	(\$93,000)	(\$32,000)	(\$13,000)
2014	(\$500,000)	(\$93,000)	(\$32,000)	(\$13,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax.

The bill would expand the list of agricultural items that are exempt from the sales tax to include tangible personal property, including a tire, sold or used as a component part of a motor vehicle or other equipment exclusively used on a farm or ranch in the building or maintaining of roads or water facilities, or in the production of food for human consumption, grass, animal feed or other agricultural products. The exemption would also include certain machinery and equipment exclusively used in an agricultural aircraft operation.

The bill would create a sales tax exemption for aircraft sold for use primarily in connection with an agricultural use including predator control; wildlife or livestock capture; wildlife or livestock surveys; census counts of livestock or wildlife; animal or plant health inspection services; or crop dusting,

pollination, or seeding.

The bill would take effect September 1, 2009.

### **Methodology**

Sales of aircraft sold primarily for use in relation to certain agricultural or wildlife activities were estimated based on data gathered from Comptroller tax files. Sales were multiplied by the state sales tax rate and extrapolated through fiscal 2014. The fiscal impacts on units of local government were estimated proportionally.

**Note:** Section 4 of the bill states that changes to Sec. 151.328 of the Tax Code (Section 2 of the bill) are clarification of existing law. While the Comptroller has indicated that changes to Sec. 151.316 of the Tax Code (Section 1 of the bill) are clarification of existing law, they have stated that Section 2 of the bill is NOT clarification of existing law and would broaden the sales tax exemption for aircraft. The revenue loss shown in the table above represents the broadening of this exemption.

### **Local Government Impact**

There would be a proportionalsal loss of sales tax revenue to units of local government.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, MN, SD, KK