

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 27, 2009

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: SB958 by Hegar (Relating to an exemption from the sales and use tax for machinery and equipment used in an agricultural aircraft operation.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB958, As Passed 2nd House: 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 1</i>	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 certain sales tax exemptions.

The bill would add machinery and equipment exclusively used in an agricultural aircraft operation to the list of agricultural items that are exempt from the sales tax.

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

The section of the bill regarding the exemption for machinery and equipment used in an agricultural aircraft operation (Section 151.316 of the Tax Code) would codify current Comptroller policy regarding agricultural aircraft. The proposed change would have no fiscal impact.

The section of the bill regarding the exemption for aircraft (Section 151.328 of the Tax Code) is not a 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. 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.

Local Government Impact

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

Source Agencies:

LBB Staff: JOB, MN, KK