

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 2, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB3253 by Martinez Fischer (Relating to ad valorem tax relief for certain commercial aircraft temporarily located in this state for manufacturing or assembly purposes.), **As Introduced**

The bill would require a chief appraiser to set the market value of a temporary production aircraft at 10 percent of the published list price. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas.

The bill would add new Section 23.1211 to the Tax Code, regarding property taxation, to define a temporary production aircraft as, among other requirements, having a maximum takeoff weight of at least 145,000 pounds and being temporarily held in this state. A chief appraiser would be required to determine the market value of temporary production aircraft on January 1 to be 10 percent of the published list price.

The Boeing Port of San Antonio aircraft Maintenance, Repair and Overhaul (MRO) facility at the former Kelly Air Force Base is the site of the aircraft finishing operation that is the focus of the bill. The site is in Bexar County and the City of San Antonio, with 91 percent in South San Antonio school district and 9 percent in Edgewood school district. The bill's proposal to require a chief appraiser to set the market value of the aircraft at 10 percent of the published list price would create a cost to local taxing units and to the state because the appraisal district would normally set the value of a partially assembled aircraft at more than 10 percent of the published list price. The exact percentage of list price at which the aircraft would finally be set under current law, and the exact list price of aircraft on January 1st in future years, are unknown so the fiscal impact cannot be estimated. As an example, however, the revenue losses to the state, Bexar County, the City of San Antonio, and South San Antonio ISD have been shown in the table below as if the appraised value would be set at 50 percent of estimated list price versus the 10 percent that would be required by the bill.

Projected tax rates were applied to estimate the levy loss to the city and county, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, the school district cost related to the compressed rate is transferred to the state. The enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state after a one-year lag because of the operation of the enrichment and facilities funding formulas. All costs were estimated over the five year projection period.

The Comptroller's illustrative example is below:

Fiscal Year	Savings/(Cost) to Foundation School Fund (0193)	Gain/(Loss) to South San Antonio ISD	Gain/(Loss) to Bexar County	Gain/(Loss) to City of San Antonio
2012	\$0	\$0	\$0	\$0
2013	(2,451,000)	(1,139,000)	(891,000)	(1,534,000)
2014	(2,855,000)	(796,000)	(905,000)	(1,555,000)
2015	(2,914,000)	(798,000)	(920,000)	(1,576,000)
2016	(2,972,000)	(803,000)	(935,000)	(1,597,000)

Note: The table above is an illustrative example of the revenue losses to the state, Bexar County, the City of San Antonio, and South San Antonio ISD that would occur if the appraised value of the subject aircraft at the Boeing Port of San Antonio MRO facility were set at 50 percent of list price versus the 10 percent that would be required by the bill.

The new section proposed by the bill would apply only to an ad valorem tax year that begins on or after January 1, 2012. No effective date is given for the bill so it would take effect on the 91st day after adjournment.

Local Government Impact

The bill would require a chief appraiser to set the market value of a temporary production aircraft at 10 percent of the published list price. As a result, taxable property values and the related ad valorem tax revenue for units of local government would be reduced.

Source Agencies: 304 Comptroller of Public Accounts

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