

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 12, 2011**

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

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

**IN RE: HB3727** by Hilderbran (Relating to the appraisal for ad valorem tax purposes of certain commercial aircraft that are temporarily located in this state for manufacturing or assembly purposes.), **As Engrossed**

**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, regarding property taxation, to the Tax Code, 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 list price as of January 1.

The Port of San Antonio aircraft Maintenance, Repair and Overhaul (MRO) facility at the former Kelly Air Force Base is the site of the Boeing aircraft finishing operation that would be affected by the provisions 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 proposed statutory language directing a chief appraiser to set the market value of the aircraft at 10 percent of the published list price could create a cost to local taxing units and to the state because the appraisal district would ignore many instances, in the case of partially assembled property, set the value at more than 10 percent of 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.

Note: The table below is the Comptroller's illustrative example of the revenue losses which might occur if the appraised value of the subject aircraft at the 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.

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)

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.

The bill would take effect on September 1, 2011. The new section proposed by the bill would apply only to an ad valorem tax year that begins on or after January 1, 2012.

### **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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