

SENATE AMENDMENTS

2nd Printing

By: Hilderbran, Martinez Fischer

H.B. No. 3727

A BILL TO BE ENTITLED

AN ACT

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.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.1211 to read as follows:

Sec. 23.1211. TEMPORARY PRODUCTION AIRCRAFT; VALUE. (a)

In this section:

(1) "List price" means the value of an aircraft as listed in the most recent edition of the International Bureau of Aviation Aircraft Values Book.

(2) "Maximum takeoff weight" means the maximum takeoff weight listed in the aircraft's type certificate data sheet for the lowest rated configuration or, if the aircraft does not have a type certificate data sheet, the maximum takeoff weight target as published by the aircraft's manufacturer.

(3) "Temporary production aircraft" means an aircraft:

(A) that is a transport category aircraft as defined by federal aviation regulations;

(B) for which a Federal Aviation Administration special airworthiness certificate has been issued;

(C) that is operated under a Federal Aviation

1 Administration special flight permit;

2 (D) that has a maximum takeoff weight of at least
3 145,000 pounds; and

4 (E) that is temporarily located in this state for
5 purposes of manufacture or assembly.

6 (b) The chief appraiser shall determine the appraised value
7 of temporary production aircraft to be 10 percent of the aircraft's
8 list price as of January 1.

9 SECTION 2. The change in law made by Section 23.1211, Tax
10 Code, as added by this Act, applies only to ad valorem taxes imposed
11 for a tax year beginning on or after January 1, 2012.

12 SECTION 3. This Act takes effect September 1, 2011.

ADOPTED

MAY 21 2011

Atty. Gen.
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: 

1 Amend H.B. 3727 in SECTION 1 of the bill, at the end of added
2 Section 23.1211, Tax Code (senate committee printing, page 1,
3 between lines 39 and 40), by inserting the following:

4 (c) The legislature finds that there is a lack of
5 information that reliably establishes the market value of temporary
6 production aircraft. Accordingly, the legislature has enacted this
7 section to specify the method to be used in determining the
8 appraised value of such aircraft.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 23, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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 Passed 2nd House**

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

LBB Staff: JOB, KK, SD, SJS

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

LBB Staff: JOB, KK, SD, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

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

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.), **Committee Report 1st House, Substituted**

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

LBB Staff: JOB, KK, SD, SJS

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: HB3727 by Hilderbran (Relating to the computation of the property tax on temporary production aircraft.), **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 bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect 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

LBB Staff: JOB, KK, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

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

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.), **Committee Report 1st House, Substituted**

Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

Source Agencies:

LBB Staff: JOB, KK

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

TAX/FEE EQUITY 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: **HB3727** by Hilderbran (Relating to the computation of the property tax on temporary production aircraft.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: JOB, KK