BILL ANALYSIS

Senate Research Center
83R13664 TJB-F

H.B. 2451
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Finance
5/10/2013
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The agricultural aircraft operation industry is treated as a service industry under the franchise tax, rather than one producing goods, and therefore is not allowed to deduct the cost of labor, equipment, fuel, and other materials. These operations have little in common with most service industries. They are much more like manufacturing or other goods-producing industries in that they pay high costs for their planes, fuel, and pilots instead of simply having to buy computers and desks like many companies in the services sector. H.B. 2451 treats them like an entity producing goods and allows them to deduct these significant costs from their revenues.

H.B. 2451 amends the Tax Code provisions for determining total revenue for franchise tax purposes by directing that an agricultural aircraft operation (crop dusting) exclude from its total revenue the cost of labor, equipment, fuel, and materials.

H.B. 2451 amends current law relating to the exclusion by taxable entities engaged in providing services as an agricultural aircraft operation of certain costs in determining total revenue for purposes of the franchise tax.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 171.1011, Tax Code, by adding Subsection (w-1), to require a taxable entity primarily engaged in the business of providing services as an agricultural aircraft operation, as defined by 14 C.F.R. Section 137.3, to exclude from its total revenue the cost of labor, equipment, fuel, and materials used in providing those services.

SECTION 2. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2014.