

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 20, 2013

TO: Honorable José Menéndez, Chair, House Committee On Defense & Veterans' Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1348 by Menéndez (Relating to the taxation of certain tangible personal property located inside a defense base development authority.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1348, As Introduced: a negative impact of (\$399,000) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	(\$399,000)
2016	(\$894,000)
2017	(\$916,000)
2018	(\$934,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund 193</i>	Probable Revenue Gain/(Loss) from <i>South San Antonio ISD</i>	Probable Revenue Gain/(Loss) from <i>Edgewood ISD</i>	Probable Revenue Gain/(Loss) from <i>Bexar County</i>
2014	\$0	\$0	\$0	\$0
2015	(\$399,000)	(\$612,000)	(\$126,000)	(\$233,000)
2016	(\$894,000)	(\$221,000)	(\$45,000)	(\$238,000)
2017	(\$916,000)	(\$221,000)	(\$46,000)	(\$242,000)
2018	(\$934,000)	(\$226,000)	(\$46,000)	(\$247,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>City of San Antonio</i>
2014	\$0
2015	(\$445,000)

2016	(\$454,000)
2017	(\$463,000)
2018	(\$472,000)

Fiscal Analysis

This bill would amend Chapter 379B of the Local Government Code, regarding defense base development authorities.

The bill would add new Subsections 379B.011(c), (d) and (e) to require a presumption that a commercial aircraft to be used as an instrumentality of commerce that is under construction inside a defense base development authority is in interstate, international, or foreign commerce and not located in this state for longer than a temporary period for purposes of Sections 11.01 (real and tangible personal property) and 21.02 (tangible personal property generally) of the Tax Code. This presumption also would be required for personal property located inside the authority if the owner demonstrates to the chief appraiser for the appraisal district in which the authority is located that the owner intends to incorporate the property into, or attach the property to, a commercial aircraft. A commercial aircraft would be defined as an aircraft under construction that is designed to be used as described by Section 21.05(e) of the Tax Code.

This bill would take effect on January 1, 2014.

Methodology

The former Kelly Air Force Base is currently the site of an aircraft finishing operation. The site is in Bexar County, the City of San Antonio, with 91 percent in the South San Antonio school district, and 9 percent in the Edgewood school district (except for certain inventory which is 100 percent in Edgewood school district). The bill's provision that would require a presumption that the commercial aircraft and other personal property to be incorporated into the aircraft is in interstate commerce and not located in this state for more than a temporary period would cause the property to lose taxable situs; the property would be exempt. This would cause a property tax revenue loss to local taxing units and to the state through the operation of the school funding formula.

Note: there is no constitutional authorization for an exemption of commercial aircraft as proposed by the bill.

The 2012 taxable values of aircraft and personal property that would be exempted by the bill were provided by Bexar County Appraisal District. The taxable value loss was projected under the assumption that the aircraft finishing operation will be ongoing as there is currently no known plan to end or reduce the size of the operation.

The applicable projected tax rates were applied to estimate the levy loss to the City of San Antonio and Bexar County, and to estimate the initial school district loss. Because of the operation of the hold harmless provisions of the Education Code, about 60 percent of the school district cost related to the compressed rate would be transferred to the state in the first year of a taxable property value loss and 100 percent in later years. Because lagged-year property values are used in the enrichment formula, school districts lose enrichment funding (state savings) in the first year of a taxable property value reduction. In the second and successive years the enrichment cost and a portion of the school district debt (facilities) cost are transferred to the state through the relevant funding formulas. All costs were estimated over the five year projection period.

Local Government Impact

The fiscal impact to units of local government is estimated in the table above assuming constitutional authorization for an exemption of commercial aircraft as proposed by the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KJo, SD, SJS, KKR, JB, TP