

BILL ANALYSIS

Senate Research Center
84R10170 GRM-D

H.B. 1458
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

There are concerns that Texas is at a competitive disadvantage in growing its aircraft maintenance service industry because the applicable sales and use tax exemption does not apply to certain elements of the industry, such as parts and labor. Interested parties assert that a large number of states exempt general aviation maintenance and repairs from state sales and use tax and that the inherent mobility of aircraft allows it to be moved easily to a more tax-friendly state. The parties contend that Texas' current sales and use tax exemption provided to commercial carriers for certain parts and labor does not extend to general aviation aircraft. H.B. 1458 seeks to address this issue to encourage expansion of the aviation industry in Texas.

H.B. 1458 amends current law relating to the sales and use tax exemption for the repair, remodeling, or maintenance of aircraft.

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 Sections 151.328(b), (d), and (e), Tax Code, as follows:

(b) Provides that repair, remodeling, and maintenance services to aircraft, including an engine or other component part of aircraft, are exempted from the taxes imposed by this chapter.

Deletes existing text providing that repair, remodeling, and maintenance services to aircraft, including an engine or other component part of aircraft, operated by a person described by Subsection (a)(1) (providing that aircraft are exempted from certain taxes if sold to a person using the aircraft as a certificated or licensed carrier of persons or property), (a)(2) (providing that aircraft are exempted from certain taxes if sold to a person who has a certain sales tax permit and uses the aircraft for the purpose of providing flight instruction), or (a)(5) (providing that aircraft are exempted from certain taxes if sold in this state to a person for use exclusively in connection with an agricultural use and used for certain purposes), are exempted from the taxes imposed by this chapter.

(d) Provides that machinery, tools, supplies, and equipment used or consumed exclusively in the repair, remodeling, or maintenance of aircraft, aircraft engines, or aircraft component parts are exempted from the taxes imposed by this chapter.

Deletes existing text providing that machinery, tools, supplies, and equipment used or consumed exclusively in the repair, remodeling, or maintenance of aircraft, aircraft engines, or aircraft component parts by or on behalf of a person described by Subsection (a)(1) or (a)(2) are exempted from the taxes imposed by this chapter.

(e) Provides that tangible personal property that is permanently affixed or attached as a component part of an aircraft or that is necessary for the normal operations of the aircraft

and is pumped, poured, or otherwise placed in the aircraft, is exempted from the taxes imposed by this chapter.

Deletes existing text providing that tangible personal property that is permanently affixed or attached as a component part of an aircraft owned or operated by a person described by Subsection (a)(1) or (a)(2), or that is necessary for the normal operations of the aircraft and is pumped, poured, or otherwise placed in the aircraft, is exempted from the taxes imposed by this chapter.

SECTION 2. Provides that the changes in law made by this Act do not affect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 3. Effective date: September 1, 2015.