

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 12, 2015**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1396** by West (Relating to the tax on the sale and use of aircraft; imposing a tax; providing civil and criminal penalties.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for SB1396, As Introduced: a positive impact of \$15,000,000 through the biennium ending August 31, 2017.
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**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	\$7,500,000
2017	\$7,500,000
2018	\$7,500,000
2019	\$7,500,000
2020	\$7,500,000

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain from General Revenue Fund 1</b>	<b>Probable Revenue Gain from Cities</b>	<b>Probable Revenue Gain from Transit Authorities</b>	<b>Probable Revenue Gain from Counties and Special Districts</b>
2016	\$7,500,000	\$1,400,000	\$500,000	\$200,000
2017	\$7,500,000	\$1,400,000	\$500,000	\$200,000
2018	\$7,500,000	\$1,400,000	\$500,000	\$200,000
2019	\$7,500,000	\$1,400,000	\$500,000	\$200,000
2020	\$7,500,000	\$1,400,000	\$500,000	\$200,000

**Fiscal Analysis**

The bill would add a new Chapter 163 to Subtitle E, Title 2 of the Tax Code to provide for taxation of the sale and use of aircraft, and exempt aircraft from the Chapter 151 limited sales and use tax.

The new chapter would provide for taxation of initial purchase of aircraft, but tax would not be due on subsequent leases or rentals. Use tax would be imposed on aircraft purchased out of state for use in the state, unless first used for a year outside the state. As under Chapter 151, a sale for

resale would be exempt. The purchaser of an aircraft and the person who brings the aircraft into the state would be jointly and severally liable for the tax if the two are related or affiliated.

The rate of tax would be 6.25 percent, the same as the rate under Chapter 151. Local sales taxes applicable to sales under Chapter 151 would be applicable to taxable sales under Chapter 163.

The exemption policy in current Chapter 151 would be incorporated in the new Chapter: aircraft brought into the state for remodeling, repair, or maintenance would be exempt; a sale for resale would be exempt; a trade-in allowance would be provided with respect to the taxable sales price; an occasional sale exemption would be provided; purchases of aircraft by certificated carriers would be exempt; aircraft purchased for removal from the state would be exempt; and aircraft for certain agricultural uses would be exempt.

The bill would take effect September 1, 2015.

### **Methodology**

The improved clarity of provisions regarding transactions among related parties would result in increased tax collections. The following estimates are based on comptroller audit experience.

### **Local Government Impact**

There would be a proportional gain of tax revenue in local taxing jurisdictions.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD