

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 27, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB2055 by West (Relating to the sales and use tax exemption for the repair, remodeling, or maintenance of aircraft.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2055, As Introduced: a negative impact of (\$5,900,000) through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	(\$5,900,000)
2020	(\$6,100,000)
2021	(\$6,300,000)
2022	(\$6,600,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>
2018	\$0	(\$5,200,000)	(\$1,000,000)	(\$300,000)
2019	(\$5,900,000)	\$0	(\$1,100,000)	(\$400,000)
2020	(\$6,100,000)	\$0	(\$1,200,000)	(\$400,000)
2021	(\$6,300,000)	\$0	(\$1,200,000)	(\$400,000)
2022	(\$6,600,000)	\$0	(\$1,300,000)	(\$400,000)

Fiscal Year	Probable Revenue (Loss) from Counties & Special Districts
2018	(\$200,000)
2019	(\$200,000)
2020	(\$200,000)
2021	(\$200,000)
2022	(\$200,000)

Fiscal Analysis

The bill would amend Section 151.328 of the Tax Code relating to sales and use taxation of aircraft.

The bill would amend Subsection (b) to provide that repair, remodeling, and maintenance services to all aircraft are exempt. Current law limits this exemption to services performed with respect to aircraft used as certificated or licensed carriers of persons or property, used for flight instruction, or used for certain agricultural purposes.

The bill would amend Subsections (d) and (e) to provide that machinery, tools, supplies, and equipment used exclusively in the repair, remodeling, or maintenance of all aircraft are exempt, as well as tangible personal property affixed, attached, or placed in all aircraft. Current law limits these exemptions to aircraft used as certificated or licensed carriers of persons or property or used for flight instruction.

This bill would take effect September 1, 2017.

Methodology

The fiscal implications were estimated based on data from Comptroller tax files and industry sources on amounts subject to Texas sales and use tax of businesses performing aircraft repair and maintenance.

Pursuant to Proposition 7 (2015), any sales tax collections in excess of \$28 billion and less than \$30.5 billion will be deposited into the State Highway Fund. Because total 2018 collections are projected to fall in that range, the 2018 revenue loss is from the State Highway Fund instead of General Revenue.

Local Government Impact

There would be a corresponding loss of sales and use tax revenue from local taxing jurisdictions. The estimates of those losses are displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD