

- SUBJECT:** Defense base development authorities' taxable items and powers
- COMMITTEE:** Defense and Veterans' Affairs — favorable, without amendment
- VOTE:** 8 ayes — Pickett, Sheffield, Berman, Farias, Landtroop, Perry, Scott, V. Taylor
- 0 nays
- 1 absent — Flynn
- WITNESSES:** For — Chris Shields, Port of San Antonio, Greater San Antonio Chamber of Commerce
- Against — None
- On — (*Registered, but did not testify:* Tim Wooten, Texas Comptroller)
- BACKGROUND:** Local Government Code, ch. 379B authorizes municipalities to create a defense base development authority at a base closed by the Defense Base Closure and Realignment Commission (BRAC). An authority is given certain powers, including the ability to charge for a facility or service.
- Tax Code sec. 11.01 and 21.02 stipulate that real and tangible property that is temporarily in the state is not subject to taxation.
- DIGEST:** HB 2042 would stipulate that commercial aircraft – and tangible personal property that would be attached to the commercial aircraft – under construction within the authority's jurisdiction was temporarily in the state and therefore exempt from taxation. This provision would be effective on January 1, 2012, and would apply only to property taxes imposed on or after that date.
- HB 2042 would specify that a defense base development authority could charge for the use, lease, or sale of an open space or facility. It also would specify that the services provided for which an authority could charge would include:

- consulting relating to international trade, planning, land use or construction;
- real estate development;
- support or participation in venture capital acquisition;
- participation in public and private joint ventures;
- employment opportunity promotion; and
- other services relating to a project aimed at satisfying the authority's mission

The bill would take effect on September 1, 2011.

**SUPPORTERS
SAY:**

When BRAC closes a base, the economic loss to the adjacent community is significant. A municipality can create a defense base development authority to reinvigorate the economic viability of the area.

Due to workforce expertise and experience, certain authorities attract commercial aircraft construction from companies like Boeing and Lockheed Martin. The construction typically includes adding instrumentation, safety belts, and other interior work before the aircraft is in service. The aircraft and parts are in the state only for this temporary construction period. HB 2042 simply would clarify that this type of commercial aircraft construction was in fact temporary and not subject to property taxation. A similar provision already provides for watercraft construction, and HB 2042 would make that language applicable to aircraft construction as well.

HB 2042 also would clarify that an authority could charge for use, lease, or sale of an open space or facility. It also would clarify the type of services for which the authority could charge, without giving any additional powers to an authority.

**OPPONENTS
SAY:**

Real and tangible property determined by a chief appraiser to be in the state temporarily already is exempt from taxation. HB 2042 would remove an appraiser's determination on what was temporarily in the state.

NOTES:

Provisions of HB 2042 relating to charging for use, lease, or sale of an open space or facility and the services for which an authority could charge are identical to those in HB 447 by Menendez, which passed the House on the Local, Consent, and Resolutions Calendar on March 30 and was

reported favorably, as substituted, by the Senate Veteran Affairs and Military Installations Committee on May 2.

The Legislative Budget Board stipulated that the bill would result in an indeterminate revenue loss for the state and local governments due to the designation of commercial aircraft and attached personal property as being temporarily in the state.