

SUBJECT: Defense base development authorities' taxable items

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; (*Registered, but did not testify*: Stephanie Jones, City of San Antonio)
Against — None

BACKGROUND: Tax Code, secs. 11.01 and 21.2 stipulate that real and tangible property that is temporarily in the state is not subject to taxation.

DIGEST: HB 2043 would stipulate that commercial aircraft – and tangible personal property that would be attached to the commercial aircraft – under construction within a defense base development authority's jurisdiction is temporarily in the state and would therefore be exempt from taxation.
HB 2043 would take effect on January 1, 2012, and would apply only to property taxes imposed on or after that date.

SUPPORTERS SAY: When the federal Defense Base Closure and Realignment Commission 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 their 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 2043 simply would clarify that this type of commercial aircraft construction is in fact temporary and not subject to property taxation.

A similar provision is provided in the law for watercraft construction; HB 2043 would make that language applicable to aircraft construction as well.

**OPPONENTS
SAY:**

Real and tangible property determined by a chief appraiser to be in the state temporarily already is exempt from taxation. HB 2043 would remove an appraiser's determination on what is temporarily in the state.

NOTES:

HB 2043 is identical to sections 3 and 4 of HB 2042, which also was placed on the House General State Calendar for May 4.

The fiscal note estimates that the bill would have an indeterminate negative impact on the state and local governments due to the designation of commercial aircraft and attached personal property as being temporarily in the state.