

BILL ANALYSIS

Senate Research Center

S.B. 1114
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Finance
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DIGEST AND PURPOSE

Currently, some indirect purchases of tangible personal property under contracts with the federal government for space flight activities are subject to sales and use taxes because there is no "resale" to the federal government. This has been the interpretation although title to tangible personal property passes directly to the federal government, because a sale includes a transfer of title under the contract and the applicable federal acquisition regulations. As proposed, S.B. 1114 clarifies the applicability of the exemption with respect to tangible personal property used or consumed in the performance of federal space flight contracts, and extends similar treatment to taxable services used in the performance of such contracts.

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 Chapter 151H, Tax Code, by adding Section 151.355, as follows:

Sec. 151.355. TAXABLE ITEMS USED IN PERFORMANCE OF SPACE FLIGHT CONTRACT. (a) Defines "space flight contract" and "space vehicles."

(b) Provides that the sale, lease, rental, or storage, use or consumption of a taxable item that is used or consumed by a person in the performance of a space flight contract is exempt from the taxes imposed by this chapter if the item is included within the definition of an allowable direct or indirect item of cost under 48 C.F.R. Section 9904.418-30, 48 C.F.R. Section 52.216-7, 48 C.F.R. Subpart 31.2, or similar federal regulations, regardless of whether the contract is a cost-reimbursement contract.

(c) Provides that this section does not apply to a part of direct or indirect costs allocated to a contract that is not a space flight contract.

SECTION 2. (a) Effective date: July 1, 2001 or October 1, 2001.

(b) Makes application of this Act prospective.