

BILL ANALYSIS

Senate Research Center
85R9165 GRM-D

S.B. 2055
By: West
Finance
4/25/2017
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

According to the Federal Aviation Administration (FAA), Texas is home to more than 29,000 aircraft. However, the state is at a competitive disadvantage to grow the aircraft maintenance service industry because there is not a sales tax exemption on both labor and parts. Over 30 states do not levy a sales tax on general aviation maintenance and repairs. Since aircraft are inherently mobile, customers can easily travel to a neighboring state where there is not a sales tax on these services.

Currently, Texas extends a sales tax exemption to all commercial carriers for parts and labor but fails to do the same for general aviation aircraft—allowing only a sales tax exemption on labor. This legislation extends the exemption commercial carriers enjoy to all general aviation aircraft.

S.B. 2055 encourages the general aviation industry to expand their footprint in Texas by creating additional jobs among suppliers, manufacturers, repair and maintenance companies, flight schools, and all other general aviation-related businesses.

As proposed, S.B. 2055 amends current law relating to the sales and use tax exemption for the repair, remodeling, or maintenance of aircraft.

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 Sections 151.328(b), (d), and (e), Tax Code, as follows:

(b) Provides that certain repair, remodeling, and maintenance services to aircraft, rather than certain repair, remodeling, and maintenance services to aircraft operated by a person described by Subsection (a)(1) (relating to exempting certain aircraft used as a carrier of persons from certain taxes), (a)(2) (relating to exempting certain aircraft used for providing flight instruction from certain taxes), or (a)(5) (relating to exempting aircraft used for certain agricultural purposes from certain taxes), are exempted from the taxes imposed by this chapter (Limited Sales, Excise, and Use Tax).

(d) Provides that certain machinery, tools, supplies, and equipment used or consumed exclusively in the repair, remodeling, or maintenance of certain aircraft or aircraft components, rather than used or consumed exclusively in the repair, remodeling, or maintenance of certain aircraft or aircraft components operated by or on behalf of a person described by Subsection (a)(1) or (a)(2), are exempted from the taxes imposed by this chapter.

(e) Provides that tangible personal property that is permanently affixed or attached as a component part of an aircraft, rather than that tangible personal property that is permanently affixed or attached as a component part of an aircraft owned or operated by a person described by Subsection (a)(1) or (a)(2), or that is necessary for the normal

operations of the aircraft and is placed in the aircraft in certain manners, is exempted from the taxes imposed by this chapter.

SECTION 2. Provides that the changes in law made by this Act do not affect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 3. Effective date: September 1, 2017.