

## **BILL ANALYSIS**

Senate Research Center  
88R4762 CJD-D

S.B. 1022  
By: Nichols  
Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, maintenance, repair and overhaul (MRO) facilities for general aviation aircraft in Texas are at a competitive disadvantage as most of the surrounding states do not charge sales tax on parts. With the inherently mobile nature of aircraft, Texas maintenance shops are losing business, especially when major maintenance is required. Surrounding states that provide a MRO tax exemption for general aviation.

A 2022 economic study calculated that a disproportionate share of regional MRO activity currently occurs outside the state, especially in Kansas and Oklahoma. It assesses that a more competitive sales tax policy could reverse this situation. According to the study, by removing the anti-competitive, antiquated MRO tax for general aviation, the Texas economy stands to gain 9,700 jobs, over \$1.4 billion in direct spending and \$57.2 million in added tax revenue.

Making Texas competitive with neighboring states will help the general aviation industry continue to flourish — a more competitive sales tax policy could yield millions in economic activity, thousands of jobs, and millions in state revenue.

S.B. 1022 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. 1022 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) Deletes existing text providing that repair, remodeling, and maintenance services to aircraft, including an engine or other component part of aircraft, operated by a person described by Subsection (a)(1) (relating to providing that aircraft are exempted from certain taxes if sold to a person using the aircraft as a certificated or licensed carrier of persons or property), (a)(2) (relating to providing that aircraft are exempted from certain taxes if sold to certain persons), or (a)(5) (providing that aircraft are exempted from certain taxes if sold in this state to a person for use exclusively in connection with an agricultural use) are exempted from the taxes imposed by Chapter 151 (Limited Sales, Excise, and Use Tax).

(d) Deletes existing text providing that machinery, tools, supplies, and equipment used or consumed exclusively in the repair, remodeling, or maintenance of aircraft, aircraft engines, or aircraft component parts 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) Deletes existing text providing 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) is exempted from the taxes imposed by this chapter.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.