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FISCAL IMPACT REPORT

SPONSOR Hanosh DATE TYPED 01/26/04 HB 202

SHORT TITLE Transport Aircraft Maintenance Gross Receipts SB _____

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$1,400.0)	Increasing	Recurring	General Fund
	(\$940.0)	Increasing	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Duplicates: Senate Bill 261

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 202 expands the eligibility for receiving a tax deduction against gross tax receipts from aircraft services. The bill would add the service of “maintaining” an aircraft carrier to a list of existing services that qualify for the deduction (such as refurbishing, remodeling, or otherwise modifying). The type of aircraft specified on which the services would be performed would also be changed from “transport category aircraft”, to a broader specification of “commercial or military carrier”. The bill also reduces the weight requirement for the aircraft from 65 thousand pounds to ten thousand pounds.

This bill is being proposed on behalf of the Revenue Stabilization and Tax Policy Committee.

The effective tax date is July 1, 2005.

FISCAL IMPLICATIONS

TRD estimates that the total fiscal impact of House Bill 202 will be \$1.4 million to the general fund in FY06 and \$940.0 to local governments, for a total impact of \$2.34 million. TRD analysis utilized information provided by the Economic Development Department, which indicated that firms currently providing the newly eligible services have gross receipts of approximately \$40 million per year. Approximately 90 percent of this revenue is attributable to aircraft in the eligible size range. Thus, according to TRD, the total tax base is \$36 million and total tax liability is \$2.34 million (implying an average tax rate of 6.5 percent). TRD analysis noted that recent news reports indicate that the state may see a significant increase in the level of aircraft manufacturing activity in the near future, which could have the effect of increasing the fiscal impacts of the proposal.

ADMINISTRATIVE IMPLICATIONS

TRD anticipates minimal impacts on the Department. They report that changes would be needed for forms, instructions and publication for the CRS program. In addition, taxpayer and TRD employee education would be required and audit and compliance procedures would have to be developed.

OPJ/lg