



San Marcos Airport Property Tax Exemption Status

SUMMARY OF ISSUE:

Since the San Marcos Regional Airport was deeded to the City of San Marcos in the 1960s, the City has received a tax exemption for all facilities owned by the City. Many facilities at the airport were built by third parties via a ground lease. Per this arrangement, these improvements are owned by the third party and taxable by the County until the end of the ground lease agreement, at which point the facility reverts in ownership to the City of San Marcos and is therefore tax exempt.

The Caldwell County Appraisal District and their counsel have recently reviewed the tax code and determined that many of these reverted facilities should not be eligible for tax exemption because of their use. This change in status would be applied to at least 24 facilities. The financial impact is unknown but has the potential to negatively effect the City's Airport and General Funds.

TIMELINE:

- August 13, 2019: Texas Aviation Partners (TAP) met with the Caldwell County Appraisal District Chief Appraiser to discuss personal property tax protocol on behalf of a tenant of the airport. The goal was to determine how the appraisal district calculates the assessed value of the aircraft. At that time, the County asked for general information on airport leases and the difference between ground leases and facility leases. TAP provided in the information before the end of the meeting.
- September 11, 2019: The Chief Appraiser emailed TAP and stated that their attorney reviewed the airport's lease agreements and determined that City-owned hangars are taxable because the property is being leased to a private party for private purposes. The Chief Appraiser stated at that time that she would be sending the City a certified letter removing exemptions for the 2020 tax year.
- November 2019: COSM Legal Department sent an email to the County's attorney requesting further discussion with no response.
- March 2021: Due to COVID, the County did not send out notices of exemption removal in 2020 as originally plan. The City received notification in March 2021 instead.
- June 15, 2021: COSM Legal Department met with County's attorney and Chief Appraiser to discuss the issue.
- June 30, 2021: COSM Legal Department sent letter to County's attorney and Chief Appraiser on outlining our opinion that City-owned hangar should retain their exempt status.
- July 16, 2021: County attorney requests a copy of all leases from the airport.
- November 3, 2021: TAP met with County attorney and Chief Appraiser to review the use of each facility at the airport. The County stated that the facilities used for "private purposes" will be taxed and if we still object to this assessment, we will have to attend the next Appraisal Review Board meeting on December 1st or 2nd.