

Tax

Continued from Page 1

that could result in statewide reform forcing Southwest and other airlines to spread the wealth.

Southwest relocated its aircraft fleet to Houston three years ago and still maintains half of the fleet there for tax purposes.

The reform idea now being hatched in Houston would apportion property taxes on aircraft fleets among all Texas counties where an airline does business. Each county's share of tax bill would be proportionate to the number of flight departures in that county.

Such a method not only would deny Dallas sole benefit of Southwest's citizenship, it would lower the amount of taxes Southwest already pays here by about \$1.3 million.

In turn, a portion of the revenue would be guaranteed to Houston, as well as San Antonio, El Paso and other communities served by Southwest.

A leading Houston-area Republican vows to present the reform proposal to the Texas Legislature next year.

Southwest spokeswoman Ginger Hardage expressed concern about the complexity of complying with such a taxation method. But she dismissed the reform idea as hypothetical and declined to discuss it further.

"We're not aware of any discussions along those lines," she said. "We follow the law, and we'll continue to follow the law."

Dallas City Councilman Jerry Bartos said the Houston proposal sounds like a fair arrangement and a way of eliminating the potential for airlines to use their fleets for political leverage.

"It would end this moving stuff around just for political favor or political punishment," he said.

Other Dallas officials, Bartos added, probably would object to the loss of tax revenue and would advocate fighting for Southwest's entire fleet. But, he said: "Let me take off my Dallas hat and put on my hat of reason. I would say it's probably the right thing to do."

The proposal's architect is Judge Jon Lindsay, the chief government administrator of Harris County, where Houston is located.

Lindsay, a Republican, has been Harris County judge for 18 years.

He began studying the tax reform idea after Southwest Chairman Herb Kelleher last month told him of the airline's plan

to transfer the rest of its fleet back to Dallas.

Charles Bacarisse, an aide to Lindsay, said the judge objects to Southwest's "arbitrary decision," and he expects to find support in other cities for the reform proposal.

"In order to bring about some equitable treatment, that's what he's going to propose," Bacarisse said. "It would distribute the taxes more equitably."

The proposal is being greeted with enthusiasm in San Antonio, where Southwest offers roughly 9% of its daily departures.

A spokeswoman for San Antonio Mayor Nelson Wolff expressed surprise that Houston's proposed method for taking Southwest's fleet was not already in use.

"Any source of revenue that is legitimately ours," spokeswoman Shirl Thomas said, "we'd be happy to know about — and go after it."

Under current state law, airlines have the option of paying property taxes on their aircraft fleets either in their home base or where most of their flights originate.

American Airlines Inc. chooses to pay all such taxes in Tarrant County, where the airline is headquartered.

Under the reform idea, American flights that depart from the east side of Dallas/Fort Worth International Airport apparently would be subject to taxation in Dallas County.

American spokesman Tim Smith said he would be concerned that the airline's overall tax bill would go up because of the different local tax rates throughout Texas.

Asked if American would oppose the reform, Smith said, "It might come down to the bottom-line cost."

Southwest kept its fleet in Dallas County for tax purposes until 1989, when the fleet was moved to William P. Hobby Airport in Houston.

At the time, Hobby had slightly more Southwest flights than Dallas Love Field.

Bartos recalls that Houston's political leadership also had been trying to lure the airline's corporate headquarters away from Dallas.

In the late 1980s, Bartos says, relations between Southwest and Dallas City Hall had deteriorated to the point where airline executives could not even get a traffic light where they wanted one.

"I think they felt unappreciated," he said. "They felt like they were getting kicked around."



Harris County Judge Jon Lindsay is spearheading a push to change the way airline fleets are taxed in Texas.

Southwest also has been at the center of the longstanding debate over federal constraints on operations at Love Field. The relocation of the aircraft fleet robbed Dallas of one of its largest property taxpayers. The fleet of 139 aircraft currently has an assessed value of about \$300 million.

Half of the fleet was moved back to Dallas last year — dividing the \$6.5 million tax bill in what Southwest officials called a fairer arrangement than choosing between Dallas and Houston.

Now the airline says it has no choice. Spokeswoman Hardage said Love Field has overtaken Hobby as the origin of most flights — 131 daily departures compared with 125.

Since state law currently constitutes a winner-take-all proposition, Hardage said, airline management has decided to move the entire fleet back to Dallas for tax purposes next year.

Hardage described the planned move not as any symbolic commitment, but strictly as a business decision. Management would not, for example, consider adjusting its flight schedule to maintain the 50/50 split between Dallas and Houston.

"Our emphasis is on market demands," she said. "That's what we're responsive to."

Under the airline's plan, about \$3 million in new property tax revenue would be shared by the City of Dallas, Dallas

County, Dallas Independent School District and Parkland Memorial Hospital.

The influx would come as Dallas government in general grapples with the national recession and a deteriorating tax base.

DISD treasurer Ernest McCullough calculated that the school district's share of revenue from Southwest's fleet relocation would be nearly \$1 million — enough to hire 40 additional teachers.

"Anytime you're looking at an extra million bucks, it's a help," he said.

And with Southwest planning a significant increase in the size of its fleet, Dallas-area tax collectors would stand to reap even bigger benefits later.

The airline recently announced plans to beef up the fleet to 199 airplanes within the next five years. A \$220 million public debt offering has been registered with the Securities and Exchange Commission to help finance the fleet expansion.

Said Dallas City Council member Chris Luna: "If they continue to buy planes, that's going to be a real windfall for Dallas."

Bartos, one of the city's most outspoken figures on transportation issues, said he was "more impressed" before he heard that Southwest viewed the move only as a business decision.

But he said the airline should be applauded for transferring half of the fleet back to Dallas last year as a gesture of fairness.

As he put it, "I think Southwest treats Dallas better than Dallas treats Southwest."