



STATE BOARD OF EQUALIZATION

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DOUGLAS D. BELL
Executive Secretary

April 29, 1983

No. 83/54

TO COUNTY ASSESSORS, COUNTY COUNSELS,
AND OTHER INTERESTED PARTIES:

PROPERTY TAXES RULE 202

Enclosed is a notice of public hearing to be held Tuesday, June 21, 1983, at 2:00 p.m., in room 102, 1020 N Street, Sacramento, California, on proposed amendments to rule 202, Allocation of Aircraft of Certificated Air Carriers and Scheduled Air Taxi Operators.

This rule is being amended to reflect legislative changes contained in AB 1539 (Chapter 1219, Statutes of 1982). These changes involve the exclusion of time prior to an aircraft's first revenue flight and a partial exemption for an aircraft that has 720 or more hours of consecutive ground time.

Written comments for the Board's consideration or requests to present testimony at the public hearing should be directed to me at the above address. Questions regarding the proposed amendments should be directed to Robert R. Keeling, Staff Counsel, at (916) 323-7713.

Sincerely,

A handwritten signature in cursive script, reading "Janice Masterton", is written over the typed name.

Janice Masterton
Assistant to Executive Secretary

JM:ms
Enclosure

NOTICE OF PROPOSED REGULATORY ACTION
BY THE
STATE BOARD OF EQUALIZATION

NOTICE IS HEREBY GIVEN that the State Board of Equalization, pursuant to the authority vested by Section 15606 of the Government Code, and to implement, interpret, or make specific Sections 1150, 1151, 1152, 1153, 1154, 1155, and 1156 of the Revenue and Taxation Code, proposes to amend Regulation 202 in Title 18 of the California Administrative Code, relating to property tax.

PUBLIC NOTICE: Notice is further given that a public hearing relevant to this action will be held in Room 102, Consumer Affairs Building, 1020 N Street, Sacramento, California, at 2:00 p.m., on June 21, 1983. Any person interested may present statements or arguments orally at that time and place.

INFORMATIVE DIGEST: This rule is amended to reflect legislative changes contained in AB 1539 (Ch. 1219, Stats. 1982). These changes involve the exclusion of time prior to an aircraft's first revenue flight and a partial exemption for aircraft that has 720 or more hours of consecutive ground time.

ESTIMATE OF COST OR SAVINGS: The State Board of Equalization has determined that the proposed changes do not impose a mandate on local agencies or school districts and will result in no direct or indirect cost or savings to any State, local, or Federal agency, school district, nor in Federal funding to the State.

There is no cost impact on private persons or businesses. This proposal will have no adverse economic impact on small businesses.

INQUIRIES: Inquiries concerning this matter may be directed to Janice Masterton, at (916) 445-6479.

WRITTEN COMMENTS: Written statements or arguments will be considered by the Board if received by June 21, 1983; written statements or arguments are requested by June 1, 1983.

STATEMENT OF REASONS; EXPRESS TERMS: The Board has prepared a statement of the purpose of the proposed action and the information relied upon in making the changes, and a strikeout and underscore version (express terms) of the proposed changes, both of which are available to the public upon request.

STAFF MEMORANDA AFTER PUBLIC HEARING OR REVISIONS TO PUBLISHED VERSION OF THE REGULATION: In the event there are any staff memoranda included in the rulemaking file after the close of the public hearing these memoranda will be available to the public upon request from Mrs. Masterton for a period of 15 days after the public hearing.

In the event there are any revisions to the published version of the regulation, these revisions will be available to the public from Mrs. Masterton for a period of 15 days after the public hearing.

Following the hearing, the State Board of Equalization, upon its own motion or at the instance of any interested person, may in accordance with law adopt the changes proposed without further notice.

Dated: April 25, 1983

STATE BOARD OF EQUALIZATION

Douglas D. Bell

Douglas D. Bell
Executive Secretary

Rule 202. ALLOCATION OF AIRCRAFT OF CERTIFICATED AIR CARRIERS AND SCHEDULED AIR TAXI OPERATORS

(a) **AIR TAXIS.** An aircraft whose owner on the lien date used it in scheduled air taxi service at any time during the representative period selected pursuant to subsection (f), or which has been purchased for scheduled air taxi service but not yet put into such service and not yet used in any other service, is assessable under sections 1150 to 1156 of the Revenue and Taxation Code and not under Part 10, Division 1, or under other situs provisions of Part 2, Division 1, of the Revenue and Taxation Code.

(b) **SITUS.** Aircraft of United States registry operated by certificated air carriers (within the meaning of section 1150 of the Revenue and Taxation Code) or scheduled air taxis (within the meaning of subdivisions (a) and (b) of section 1154 of the Revenue and Taxation Code) and flown in intrastate, interstate, or foreign commerce shall be deemed to be situated only in those taxing agencies (within the meaning of section 404 of the Revenue and Taxation Code) in which the aircraft normally make physical contact. The physical contact must be intentional rather than by accident or as the result of an emergency, and it must involve embarking or disembarking of crew, passengers, or freight.

Aircraft flying over the state without landing do not acquire situs for property tax purposes. Conversely, the situs of aircraft that depart from a taxing agency within the state, fly out of the state, and return to the same or another taxing agency within the state without landing outside the state is within the state's taxing jurisdiction throughout the flight.

Situs for property tax purposes is not affected by the legal or commercial domicile of the operator of the aircraft, except that foreign-owned and -based aircraft operated solely in foreign commerce do not acquire a situs within the state for property tax purposes.

(c) **ALLOCATION FORMULA.** The allocation formula to be used by each assessor is composed of two factors: (1) ground and flight time and (2) aircraft arrivals and departures.

Time allocable to an airport is the amount of time that certificated aircraft and scheduled air taxis are on the ground at the airport, plus a portion of the incoming and outgoing flight time computed pursuant to subsection (d). The ratio of the time allocable to the airport during a representative period to the sum of the time allocable to the airport and the time allocable elsewhere is the ground and flight time factor. In computing the ground and flight time factor, the following shall be excluded:

From the time allocable to the airport --

(1) All ground and flight time prior to the aircraft's first entry into the revenue service/ of the air carrier in control of the aircraft on the current lien date.

(2) All ground time in excess of 168 hours during each period the aircraft spent 720 or more consecutive hours on the ground.

From the total time --

(1) All ground and flight time prior to the aircraft's first entry into the revenue service/ of the air carrier in control of the aircraft on the current lien date.

Rule 202 (Cont.)

This factor shall be multiplied by 75 percent to obtain a weighted ground and flight time factor.

The aircraft arrivals and departures factor is the ratio of the number of arrivals at and departures from an airport during a representative period to the total number of arrivals at and departures from all airports during the representative period. This factor shall be multiplied by 25 percent to obtain a weighted arrivals and departures factor.

The weighted time factor shall be added to the weighted arrivals and departures factor. The sum of the two weighted factors yields the allocation ratio to be applied to the full cash value of the aircraft to determine the full cash value allocable to the airport.

(d) ALLOCATION OF FLIGHT TIME. For aircraft flying from one California airport to another California airport, the flight time attributable to each airport is one-half the flight time between the airports.

For aircraft arriving from an airport outside the state or leaving for an airport outside the state, the flight time from or to the state boundary shall be allocated to the California airport in which the aircraft first lands or last takes off, as the case may be. The flight time to the state boundary shall be computed as follows: (1) determine the mileage from the airport to the state boundary crossing point on a great circle flight to the first landing point outside the state; (2) divide this mileage by the total great circle mileage from the airport to the first landing point outside the state; (3) multiply this percentage by the total flight time from the airport to the first landing point outside the state. The same procedure shall be used for inbound flights from outside the state. To allow for differences in take-off, landing, and cruising speeds and for varying take-off and landing patterns, the time allocated to an airport shall not be less than five minutes for an incoming or an outgoing flight. In lieu of the actual flight time for a single flight, the average flight time between two ports, or between a port and the state line, for two or more flights of a single carrier or of more than one carrier shall be used when such an average is promulgated by the board unless the assessor has documented evidence which justifies departure from such average time.

(e) SOURCES OF ALLOCATION DATA. For scheduled operations, arrivals and departures and ground and flight time shall be derived from the carrier's operating schedules. For nonscheduled operations, including but not limited to, overhaul, pilot training, charter, military contract flights, and standby services, ground and flight time and arrivals and departures shall be derived from the carrier's recorded operations.

(f) REPRESENTATIVE PERIOD. Annually, on or before February 15, the board shall consult with the assessors of the counties in which air carriers' aircraft normally make physical contact. On or before March 1, the board shall designate a representative period to be used by all assessors in assessing the aircraft of each carrier for the forthcoming fiscal year.

Rule 202 (Cont.)

(g) **APPLICATION OF ALLOCATION FORMULA.** The aircraft of certificated air carriers and scheduled air taxi operators shall be segregated by type, and a separate allocation ratio shall be computed for each type which has established a tax situs within the state, excluding those makes within a type which have not established a tax situs within the state. Each allocation ratio shall then be applied to the total value of the carrier's aircraft of each type to which the allocation ratio applies, excluding those makes within a type which have not established a tax situs within the state.

Annually, the types shall be designated by the board in the same manner and at the same time the representative period is designated. Examples of the types are as follows:

- (1) Piston-powered
- (2) Turboprop-powered
- (3) Helicopter
- (4) Turbojet and Turbofan powered
 - (A) Two engine
 - (B) Three engine
 - (C) Four engine
 - (D) DC-8-60 series
 - (E) Two engine widebody
 - (F) Three engine widebody
 - (G) Four engine widebody

History: Adopted March 9, 1967, effective March 10, 1967.
Amended January 8, 1969, effective February 12, 1969.
Amended December 12, 1969, effective January 11, 1970.
Amended February 16, 1970, effective March 26, 1970.
Amended December 20, 1971, effective January 19, 1972.
Amended February 21, 1974, effective February 26, 1974.
Amended December 17, 1975, effective January 25, 1976.
Amended July 31, 1980, effective November 19, 1980.

Reference: Sections 1150, 1151, 1152, 1153, 1154, 1155, 1156,
Revenue and Taxation Code.

Authority: Section 15606, Government Code.