



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

WILLIAM M. BENNETT
First District, Kenfield

CONWAY H. COLLIS
Second District, Los Angeles

ERNEST J. DRONENBURG, JR.
Third District, San Diego

RICHARD NEVINS
Fourth District, Pasadena

KENNETH CORY
Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

September 30, 1986

No. 86/75

TO COUNTY ASSESSORS:

AIRLINE POSSESSORY INTERESTS IN
GOVERNMENT-OWNED AIRPORTS

When conducting our assessment practices surveys, we have noted a considerable difference of opinion among county assessors regarding the nature and extent of commercial airline possessory interests in government-owned airport facilities. While most assessors are assessing the airlines' rights to use exclusively held areas such as ticket counters, few are considering landing rights or the rights to use space held jointly with the airlines, such as baggage and parking areas, in their possessory interest appraisals.

Our analysis of several airline-airport agreements indicated that an airline's taxable possessory interest incorporates more than just the areas used exclusively by that airline. In the typical contract, charges are levied for both the exclusive and joint-use space, and landing fees are collected based upon the weight of each plane landed. All of these fees, regardless of how they are calculated, are payments for the operation of the airline at the government-owned facility. In addition, the fact that several parties are sharing the runways and other joint-use areas does not violate the test of exclusivity required of taxable possessory interests. In somewhat similar circumstances, i.e., the grazing of cattle by several owners on federal lands, the courts have held that the use was exclusive enough to warrant a possessory interest assessment for each of the several users.

In summation, it is the Board's position that airlines clearly have a taxable possessory interest in the airport facilities and that the value of that interest must be determined by reference to all rights that are incorporated in that interest. The offices, ticket areas, docking areas, repair facilities and runways are all used by the airlines and the value of all of these rights should be considered when appraising the airlines' possessory interest.

Sincerely,

Verne Walton
Verne Walton, Chief
Assessment Standards Division

VW:wpc
AL-17-0042M