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February 13, 2014

By Electronic Mail

Ms. Sherrie Kinkle
State Board of Equalization
Property and Special Taxes Department
450 N Street
P.O. Box 942879
Sacramento, California 94279-0064

Re: Property Tax Rule 133, Business Inventory Exemption

Dear Ms. Kinkle:

On behalf of our client, Space Exploration Technologies Corporation, or SpaceX, we are providing some suggested modifications to the proposed language of Rule 133 that was sent to us on February 11, 2014. Our modifications are to subsections (a)(2)(E) and (a)(2)(E)(ii) as provided below.

(E) Space flight property, ~~not reusable for space flight under federal law,~~ listed in the International Traffic in Arms Regulations (22 CFR § 121.1) as a defense article on the United States Munitions List, not demonstrated to be operationally reusable and actually reused for space flight and the control over which is relinquished by the owner upon at any point after launch.

(i) "Space flight" means any flight designed for suborbital, orbital, or interplanetary travel by a space vehicle, satellite, space facility, or space station of any kind.

(ii) The phrase "control over which is relinquished by the owner ~~upon at any point after launch~~" means the transfer of control to ~~the~~ Range Safety Officer pursuant to federal law for Space flight termination purposes.

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We have suggested these changes for two reasons. First, as to subsection (a)(2)(E), the aerospace industry has a long way to go before reusability is actually achieved. This has never been achieved on launch vehicles in the history of spaceflight, and there will be numerous iterations and possible failures and successes during the process. It is unreasonable for California to tax a mere possibility, particularly given the technological innovation that is being attempted by California companies. We believe that our changes to this subsection reflect the current state of the technology—which is fully aspirational at this time—and the associated uncertainty and will ensure that California will only tax the space flight property when it is proven that the property is actually operational and reused. California should support (not tax) highly advanced Research and Development activities that are performed in California, activities of which encourage further R&D activities, increase jobs, and improve the economy in California.

Second, as to subsection (a)(2)(E)(ii), the Federal Ranges are in the process of developing technology whereby the function of the Range Safety Officer will become automated through technology known as the Automated Flight Termination System (AFTS). Thus, the Officer will no longer be required, but the Range Safety regulations regarding flight termination will remain in force. Our suggested modifications reflect this change in Range Safety and are in the best interest of all parties. If our suggested changes are not currently made, the Board will be forced to once again amend the regulation when the flight termination system is automated and an Officer is no longer used.

Should you have any questions or concerns, please feel free to contact me at (213) 457-8310. Thank you for your time and consideration.

Very truly yours,


Mardiros H. Dakessian

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