

# OFFICE OF ASSESSOR

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County of San Bernardino

June 28, 2013

Ms. Sherrie Kinkle  
State Board of Equalization  
Property and Special Taxes Department  
PO Box 942879  
Sacramento, CA 94279-0064

Re: Representative Period for Certificated Air Carriers and Scheduled Air Taxi Operators

Dear Ms. Kinkle,

## RECOMMENDATION

San Bernardino County recommends using the 12 months prior to each lien date as the representative period for scheduled air carriers and air taxis. This would be equitable and in line with the requirement of nonscheduled air carriers, air taxis, charters, fractional, and freighters currently assessed in California. Additionally, this representative period would mirror the reporting period required by the majority of taxing authorities within the United States, whether the aircraft are assessed locally at the county level or centrally by each State. Using the preceding 12 month period would eliminate the current process of having to determine a representative period to estimate the assessment of scheduled air carriers.

## ANALYSIS: ONTARIO INTERNATIONAL AIRPORT (ONT)

San Bernardino County received the total aircraft arrival and departure information for ONT from the Noise Abatement Division of the Los Angeles World Airports (LAWA) for calendar years 2009, 2010, 2011, and 2012. This information detailed the arrivals/departures, aircraft type, flight number, airline, and destination for commercial air carriers and general aircraft. An analysis was done comparing the reported scheduled activity vs. the actual activity to determine if the published schedules reported accurately reflected the actual flight activity. These variances were then applied to the overall annual value, and then to the applicable tax rates to determine the estimated tax bill differences. The unscheduled air carriers' actual activity was not analyzed because they are required to report actual activity from the preceding 12 month period each lien date.

Our analysis indicated that each year had variances between the reported published figures and the actual arrival and departure activity for each calendar year: 2009 – 2012. The following figures reflect the overall differences in weekly arrivals/departures, values, and estimated tax bills per lien date.

<u>LIEN</u>	<u>ARRIVAL/DEPARTURE VARIANCE(DAYS)</u>	<u>VALUE DIFFERENCE</u>	<u>TAX VALUE</u>
2012	(10)	\$ (1,256,634)	\$ (14,131)
2011	6	1,670,969	17,197
2010	102	17,813,472	259,620
2009	51	9,749,629	102,894

\*\*\* see attached exhibits A & B for detail calculations

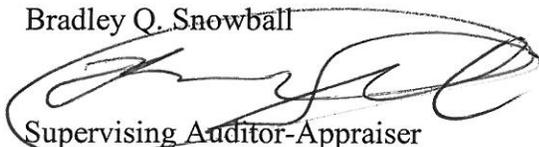
### ANALYSIS: NATIONWIDE REPORTING PERIOD

A sample was done of the reporting requirements by taxing authorities outside California. These States use similar allocation methodologies for valuing commercial aircraft; such as system wide time compared to statewide time and system wide arrivals / departures compared to statewide arrivals/departures. The only difference discovered between California and all other States sampled was the representative period used by California. California appears to be the only state using anticipated flight activity that occurs after the lien date – all states sampled use the preceding 12 months prior to each lien date. Given these results, the airline industry is already required to annually report historical flight data for assessment purposes in other States. Therefore, air carriers categorized as scheduled carriers would not be burdened regardless of the level of traffic if the BOE establishes the representative period for all commercial air carriers as the preceding 12 months.

### ANALYSIS: PRIOR YEAR REPRESENTATIVE WEEK

An analysis was done to determine the use of a representative week prior to lien date. The week was determined to start on the first Sunday during the calendar year prior to lien date. An average of mid September through mid October provided a variance ranging from 0% to 3%, although no consistency was found in any one particular week for lien dates 2010, 2011, & 2012. Individual weeks were found to be within roughly 10% below the actual activity, but did not occur during the same period each year. However, based on our study, the current methodology of setting a post lien date representative week continues to produce consistent material variances in assessments. This is why San Bernardino County strongly encourages the use of the preceding 12 months for the scheduled carriers.

Bradley Q. Snowball



Supervising Auditor-Appraiser  
Office of the Assessor  
County of San Bernardino

**ONTARIO INT'L AIRPORT  
SAN BERNARDINO COUNTY  
2009 - 2012**

Scheduled (S) / Non-Scheduled (NS)	Parcel	Aircraft Type	LAWA Airline Code	2012 Reported	2012 Actual	2012 Variance	2011 Reported	2011 Actual	2011 Variance	2010 Reported	2010 Actual	2010 Variance	2009 Reported	2009 Actual	2009 Variance
S	0113-261-18-P188	P	JBU	0.0000	0.0192	0.0192	0.0000	0.0769	0.0769	0.0000	0.0962	0.0962	0.0000	0.1538	0.1538
S	0113-371-01-P005	P	UAL	38.0000	55.6923	17.6923	38.0000	37.8462	-0.1538	38.0000	40.9038	2.9038	40.0000	45.9231	5.9231
S	0113-371-01-P006	P	ASA	38.0000	38.8269	0.8269	38.0385	40.2115	2.1731	40.0000	40.7115	0.7115	38.0000	40.6731	2.6731
S	0113-371-01-P007	P	SKW	148.0000	135.1731	-12.8269	112.0000	137.7692	25.7692	112.0000	119.0000	7.0000	94.0000	103.0192	9.0192
S	0113-371-01-P009	P	DAL	14.0000	20.2692	6.2692	18.0000	23.0577	5.0577	14.0000	20.6731	6.6731	14.0000	20.2885	6.2885
S	0113-371-01-P031	P	QXE	0.0000	0.3077	0.3077	40.0000	14.3462	-25.6538	28.0000	40.1538	12.1538	38.0000	36.9615	-1.0385
S	0211-201-13-P002	P	COA	0.0000	0.0000	0.0000	28.0385	33.1154	5.0769	43.0000	38.3654	-4.6346	28.1923	39.8077	11.6154
S	0211-201-13-P003	P	SWA	472.0000	453.6538	-18.3462	526.0000	514.3269	-11.6731	486.0000	543.0962	57.0962	578.0000	575.2885	-2.7115
S	0211-201-13-P004	P	AAL	56.0000	51.9038	-4.0962	56.0000	58.8462	0.8462	56.0000	66.1154	10.1154	56.0000	64.2692	8.2692
S	0211-201-13-P005	P	AWE	66.0000	61.8654	-4.1346	66.0000	65.3077	-0.6923	60.0000	65.4808	5.4808	56.0000	57.5385	1.5385
S	0211-201-13-P008	P	ASH	4.0000	8.3269	4.3269	2.0000	7.3846	5.3846	0.0000	4.5769	4.5769	0.0000	9.2692	9.2692
Number of Flights Variance - Representative Week				836.0000	826.0385	-9.9615	924.0769	930.2885	6.2115	877.0000	979.1731	102.1731	942.1923	993.1923	51.0000

Airline

- Jet Blue Airways
- United Airlines
- Alaska Airlines
- Skywest Airlines
- Delta Airlines
- Horizon Air
- Continental Airlines \*\*\*
- Southwest Airlines
- American Airlines
- US Airways
- Mesa Airlines

\*\*\* Actual flight data did not exist for 2012 even though the ONT Airline Market Share Summary for 1/1/2012 - 12/31/2012; therefore, reported vs. actual figures were omitted from 2012 analysis

**ONTARIO INT'L AIRPORT  
SAN BERNARDINO COUNTY**

**2009 - 2012**

Airline	2012 aircraft allocation value	2011 aircraft allocation value	2010 aircraft allocation value	2009 aircraft allocation value
Alaska	4,281,036	30,549,765	5,151,281	9,990,377
Delta Airline	949,597	7,334,445	7,670,691	4,514,189
Horizon	-	7,401,368	4,649,312	8,025,278
Jet Blue Airways	-	-	-	-
Jet Blue Airways	-	-	-	-
Skywest Airlines inc	19,484,755	5,417,605	7,731,485	7,484,210
United Airlines Inc	9,658,347	11,099,185	13,043,426	17,042,302
Total Lien Date Values	<b>34,373,735</b>	<b>61,802,368</b>	<b>38,246,195</b>	<b>47,056,356</b>
Reported Arrivals & Departures	238	246	232	224
Average Value per Arrival or Departure	144,427	251,190	164,854	210,073
Number of Flights Variance - Representative Week	12	7	30	23
Estimated Value Adjustment	1,774,791	1,825,957	4,869,542	4,835,719
Annual Tax Rate	0.010384	0.010320	0.010333	0.010414
	18,429	18,844	50,317	50,359
American Airlines inc.	1,005,958	1,438,989	1,425,447	1,855,397
Continental Airlines inc	-	12,895,226	14,430,216	15,648,707
Mesa Airlines	391,602	262,985	-	-
Southwest Airlines co inc	71,097,972	75,630,496	83,262,920	97,317,650
U S Airways	8,978,291	9,128,385	15,824,341	11,305,310
Total Lien Date Values	<b>81,473,823</b>	<b>99,356,081</b>	<b>114,942,924</b>	<b>126,127,064</b>
Reported Arrivals & Departures	598	678	645	718
Average Value per Arrival or Departure	136,244	146,535	178,206	175,617
Number of Flights Variance - Representative Week	(22)	(1)	73	28
Estimated Value Adjustment	(3,031,426)	(154,988)	12,943,930	4,913,910
Annual Tax Rate	0.010741	0.010626	0.016170	0.010691
	(32,561)	(1,647)	209,303	52,535
0113-371-01 Tax Reductions	18,429	18,844	50,317	50,359
0211-201-13 Tax Reductions	(32,561)	(1,647)	209,303	52,535
<b>Total Estimated Revenue Loss per Lien Date To</b>	<b>\$ (14,131)</b>	<b>\$ 17,197</b>	<b>\$ 259,620</b>	<b>\$ 102,894</b>
<b>Lien Date Summary</b>				
<b>Total Estimated Value Adjustment</b>	<b>(1,256,634)</b>	<b>1,670,969</b>	<b>17,813,472</b>	<b>9,749,629</b>
To Lien Date Summary				