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October 11, 2019

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

### INTERESTED PARTIES PROCESS

#### ALLOCATION OF CERTIFICATED AIR CARRIERS AND SCHEDULED AIR TAXI OPERATORS

Board of Equalization (BOE) staff have initiated a project to promulgate an emergency regulation and produce forms and instructions that implement the newly established allocation formula for the valuation of certificated aircraft, pursuant to [Senate Bill \(SB\) 791 \(Stats. 2019, ch. 333\)](#). The interested parties process for this project is expedited due to the timeframe set forth in statute.

Effective September 20, 2019, operative January 1, 2020, SB 791 amended Revenue and Taxation Code section 441, amended and added section 1152, added sections 1153.5 and 1157, and repealed section 1153. Section 1157, in part, requires the BOE, after consultation with the California Assessors' Association (CAA) and representatives of commercial air carriers, to promulgate an emergency regulation and produce forms and instructions that implement the newly established allocation formula. The emergency regulation and the forms must be effective by January 1, 2020.

- **Emergency Regulation - Amend Property Tax Rule 202, Allocation of Aircraft of Certificated Air Carriers and Scheduled Air Taxi Operators**

The BOE is proposing amendment to Rule 202 to institute the new allocation formula for certificated aircraft. As required by SB 791, this will be done through the emergency rulemaking process. An emergency regulation is effective for 180 days, and may be readopted for two additional 90 day periods.

After the emergency regulation has been adopted, BOE staff will initiate a project to revise Rule 202 through the regular rulemaking process. Information on the emergency rulemaking process and the regular rulemaking process may be found at the [Office of Administrative Law's](#) website.

- **Produce Forms and Instructions**

Over the last couple of months, the CAA and commercial air carrier representatives worked cooperatively to draft forms and instructions that implement the newly established allocation formula. These forms were submitted to BOE staff for review and consideration and include the following:

- Draft Form BOE-570-1, *Supplementary Schedule to the Business Property Statement, Air Carrier's Operation Report*
- Draft Form BOE-570-2, *Supplementary Schedule to the Business Property Statement, Flight Equipment Value Computation*

The draft regulation with proposed amendments in strikeout/underline format, and draft new forms and instructions are enclosed. To meet the January 1, 2020 deadline, the emergency regulation and the forms and instructions will be presented to the Board Members at the November 19, 2019 Board Meeting. Therefore, interested parties may provide suggested revisions to the draft documents by October 18, 2019. You may email your submissions to [LaDeena.Ford@boe.ca.gov](mailto:LaDeena.Ford@boe.ca.gov).

While BOE staff regret the limited time within which interested parties must submit suggested revisions on these draft documents, interested parties will be able to submit further comments and revisions when the regular rulemaking process has been initiated. We anticipate that to be January 2020. Subsequent revisions to the forms may also be considered in subsequent years using the process provided in section 1157.

All documents regarding this project will be posted to the project webpage at <http://www.boe.ca.gov/proptaxes/valuation-of-certificated-aircraft.htm>. If you have any questions regarding the proposed rule changes or proposed forms, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung  
Deputy Director  
Property Tax Department

DY:lf  
Enclosures

cc: Ms. Brenda Fleming  
Executive Director, State Board of Equalization

## Proposed Revisions to Property Tax Rule 202

### 1 **Rule 202.**                    **Allocation of Aircraft of Certificated Air Carriers and Scheduled Air** 2    **Taxi Operators.** 3

4 **(a) AIR TAXIS.** An aircraft whose owner on the lien date used it in scheduled air taxi service at any  
5 time ~~during the representative~~ during the 12-month period from January 1 through December 31 of  
6 the previous year immediately preceding the lien date selected pursuant to subsection (f), or which  
7 has been purchased for scheduled air taxi service but not yet put into such service and not yet used in  
8 any other service, is assessable under sections 1150 to ~~1156~~ 1157 of the Revenue and Taxation Code  
9 and not under Part 10, Division 1, or under other situs provisions of Part 2, Division 1, of the Revenue  
10 and Taxation Code.

11  
12 **(b) SITUS.** Aircraft of United States registry operated by certificated air carriers (within the meaning  
13 of section 1150 of the Revenue and Taxation Code) or scheduled air taxis (within the meaning of  
14 subdivisions (a) and (b) of section 1154 of the Revenue and Taxation Code) and flown in intrastate,  
15 interstate, or foreign commerce shall be deemed to be situated only in those taxing agencies (within  
16 the meaning of section 404 of the Revenue and Taxation Code) in which the aircraft normally make  
17 physical contact. The physical contact must be intentional rather than by accident or as the result of  
18 an emergency, and it must involve embarking or disembarking of crew, passengers, or freight.

19  
20        (1) Aircraft flying over the state without landing do not acquire situs for property tax purposes.  
21 Conversely, the situs of aircraft that depart from a taxing agency within the state, fly out of the state,  
22 and return to the same or another taxing agency within the state without landing outside the state is  
23 within the state's taxing jurisdiction throughout the flight.

24  
25        (2) Situs for property tax purposes is not affected by the legal or commercial domicile of the  
26 operator of the aircraft, except that foreign-owned and-based aircraft operated solely in foreign  
27 commerce do not acquire a situs within the state for property tax purposes.

28  
29 ~~**(c) ALLOCATION FORMULA.** The allocation formula to be used by each assessor is composed~~  
30 ~~of two factors: (1) ground and flight time and (2) aircraft arrivals and departures.~~

31  
32 ~~— (1) The ground and flight time factor is the ratio of time allocable to an airport during a~~  
33 ~~representative period to the total time during the representative period.~~

34  
35 ~~— (A) Time allocable to an airport is the amount of time a certificated aircraft (or scheduled air~~  
36 ~~taxi) is on the ground at the airport, plus the portion of incoming and outgoing flight time computed~~  
37 ~~pursuant to subsection (d). In computing the time allocable to the airport, the following shall be~~  
38 ~~excluded: (1) all ground and flight time prior to the aircraft's first entry into the revenue service of the~~  
39 ~~air carrier in control of the aircraft on the current lien date; and (2) all ground time in excess of 168~~  
40 ~~hours during each period the aircraft spent 720 or more consecutive hours on the ground.~~

41  
42 ~~— (B) Total time is the sum of the time allocable to the airport and the time allocable elsewhere~~  
43 ~~during the representative period. In computing the total time, the following shall be excluded: (1) all~~  
44 ~~ground and flight time prior to the aircraft's first entry into the revenue service of the air carrier in~~  
45 ~~control of the aircraft on the current lien date. The ground and flight time factor shall be multiplied~~  
46 ~~by 75 percent to obtain a weighted ground and flight time factor.~~

## Proposed Revisions to Property Tax Rule 202

~~(2) 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.~~

~~—(3) The weighted ground and flight 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.~~

**(c) ALLOCATION FORMULA.** The allocation formula to be used by each assessor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent within the state during the 12-month period from January 1 through December 31 of the previous year immediately preceding the lien date as compared to the total time during that 12-month period.

(1) Time in the air consists of flight time and taxi time within California’s borders.

(A) Time in the air shall be based on the State Board of Equalization’s “California Standard Flight Times” table in the most recently published Letter To Assessors that address intrastate and interstate standard flight times.

(B) These standard times shall be multiplied by the number of departures to and from the airports listed in the Letter To Assessors.

(2) Time on the ground is all time in the state that is not flight or taxi time.

(A) Time on the ground at each airport shall be reported on a summary basis by fleet type pursuant to subdivision (m) of Section 441.

(B) Time on ground allocated to heavy maintenance that requires a certificated aircraft or scheduled air taxi to be removed from revenue service shall be excluded.

i. An air carrier claiming such exclusion shall identify such maintenance and supply sufficient documentation that will enable the assessor to confirm the amount of time the aircraft was not in revenue service.

ii. Routine line maintenance that does not require removal from revenue service shall not be excluded from time allocable to the airport.

(3) Time allocable to each airport is the amount of time a certificated aircraft or scheduled air taxi is on the ground at the airport computed pursuant to subdivision (c)(2), plus the portion of incoming and outgoing flight time computed pursuant to subdivision (c)(1).

(4) All time, both in the air and on the ground, that certificated aircraft have spent within the state 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 shall be excluded from the time-in-state factor.

**(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

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1 procedure shall be used for inbound flights from outside the state. To allow for differences in take-  
2 off, landing, and cruising speeds and for varying take-off and landing patterns, the time allocated to  
3 an airport shall not be less than five minutes for an incoming or an outgoing flight. In lieu of the actual  
4 flight time for a single flight, the average flight time between two ports, or between a port and the  
5 state line, for two or more flights of a single carrier or of more than one carrier shall be used when  
6 such an average is promulgated by the board unless the assessor has documented evidence which  
7 justifies departure from such average time.  
8

9 **(e) SOURCES OF ALLOCATION DATA.** ~~For scheduled operations, arrivals and departures and~~  
10 ~~ground and flight time shall be derived from the carrier's operating schedules.~~ For all nonscheduled  
11 operations, including, but not limited to, overhaul, pilot training, charter, military contract flights,  
12 and standby services, ground time and departures shall be derived from the carrier's recorded  
13 operations.  
14

15 **(f) REPRESENTATIVE PERIOD.** ~~Annually, on or before December 20, the board shall consult~~  
16 ~~with the assessors of the counties in which air carriers' aircraft normally make physical contact. On~~  
17 ~~or before January 15, the board shall designate a representative period to be used by all assessors in~~  
18 ~~assessing the aircraft of each carrier for the forthcoming fiscal year.~~  
19

### 20 **(f) LEAD COUNTY ASSESSOR'S OFFICE.**

- 21 (1) After consulting with commercial air carriers in the state, the Aircraft Advisory Subcommittee  
22 of the California Assessors' Association shall designate a lead county assessor's office for  
23 each commercial air carrier operating certificated aircraft in California.  
24 (A) Such designation shall occur on or before March 1, 2020 and on or before each March 1  
25 thereafter.  
26 (B) Every third year thereafter, redesignate a lead county assessor's office for each of these  
27 air carriers, unless an air carrier and its existing lead county assessor's office concur to  
28 waive this redesignation.  
29 (2) The lead county assessor's office shall do all of the following:  
30 (A) Calculate an unallocated value of the certificated aircraft of each commercial air carrier to  
31 which that assessor is designated.  
32 (B) Electronically transmit to the assessor of each county in which the property described in  
33 paragraph (1) has situs for the assessment year the values determined by the lead county  
34 assessor's office under paragraph (1).  
35 (C) Receive the property statement, as described in subdivision (m) of Section 441, of each  
36 commercial air carrier to which the assessor is designated.  
37 (D) Receive and electronically transmit to the assessor of each affected county flight data  
38 received pursuant to paragraph (3) of subdivision (m) of Section 441.  
39 (E) Lead the audit team described in subdivision (f)(4) of this rule when that team is  
40 conducting an audit of a commercial air carrier to which the assessor is designated.  
41 (F) Notify, in writing, each commercial air carrier for which the assessor has been designated  
42 of this designation on or before the first March 15 that follows that designation.  
43 (3) The county assessor of each county in which the personal property of a commercial air carrier  
44 has situs for an assessment year is solely responsible for assessing that property, applying the  
45 allocation formula set forth above and enrolling the value of the property in that county, but,  
46 in determining the allocated fleet value for each make, model, and series of certificated aircraft

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1        of a commercial air carrier, the assessor may consult with the lead county assessor's office  
2        designated for that commercial carrier.

3        (4) An audit of a commercial air carrier shall be conducted once every four years on a centralized  
4        basis by an audit team of auditor-appraisers from one to three counties, as determined by the  
5        Aircraft Advisory Subcommittee of the California Assessors' Association. Such audit shall  
6        encompass all of the California Personal Property and fixtures of the air carrier and is deemed  
7        to be made on behalf of each county for which an audit would otherwise be required under  
8        Section 469.

9        (A) The audit team shall be the point of contact for all aircraft-related questions to or from  
10       each county and the commercial air carrier.

11       (B) The audit team shall also ensure that all aircraft-related concerns regarding the taxable  
12       value of the aircraft and aircraft parts are resolved with each county before finalizing the  
13       audit.

14  
15       **(g) APPLICATION OF ALLOCATION FORMULA.** The aircraft of certificated air carriers and  
16       scheduled air taxi operators shall be segregated by subfleet type, and a separate allocation ratio shall  
17       be computed for each subfleet type which has established a taxable situs within the state, excluding  
18       those makes within a type which have not established a taxable situs within the state. Each allocation  
19       ratio shall then be applied to the total value of the carrier's aircraft of each subfleet type to which the  
20       allocation ratio applies., ~~excluding those makes within a type which have not established a tax situs~~  
21       ~~within the state. Annually, the types shall be designated by the board in the same manner and at the~~  
22       ~~same time the representative period is designated. Examples of the types are as follows:~~

- 23  
24       ~~— (1) Piston powered~~  
25       ~~— (2) Turboprop powered~~  
26       ~~— (3) Helicopter~~  
27       ~~— (4) Turbojet and Turbofan powered~~  
28       ~~— (A) Two engine~~  
29       ~~— (B) Three engine~~  
30       ~~— (C) Four engine~~  
31       ~~— (D) DC-8-60 series~~  
32       ~~— (E) Two engine widebody~~  
33       ~~— (F) Three engine widebody~~  
34       ~~— (G) Four engine widebody~~  
35

36       *Authority:*            Section 15606, Government Code.

37  
38       *Reference:*            Sections 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157 Revenue and Taxation  
39       Code.

SUPPLEMENTARY SCHEDULE TO THE BUSINESS PROPERTY STATEMENT  
 BOE-570-1  
 AIR CARRIER'S OPERATION REPORT  
 Flight Detail Activity Period Calendar Year \_\_\_\_\_  
 (See Reverse Side for Instructions)

CARRIER		AIRCRAFT TYPE		COUNTY		AIRPORT
A	B	C	D	E	F	G
AIRCRAFT TYPE	ROUTE	ANNUAL NUMBER OF FLIGHTS	CA BOE FLIGHT TIME MINUTES BY ROUTE	TOTAL CA BOE FLIGHT TIME MINUTES [Cx D]	TOTAL GROUND MINUTES FOR THIS AIRPORT	TOTAL MINUTES TO BOE-570-2 [E+F]
TOTAL						

**RETURN THIS FORM WITH THE BUSINESS PROPERTY STATEMENT**

## INSTRUCTIONS FOR COMPLETING BOE-570-1

Use a separate 570-1 for each airport within each county where your aircraft had activity. Add the total time calculated on this form to BOE 570-2 in order to calculate the allocation factor for each sub-fleet at each airport.

- Column A.** List each aircraft sub-fleet type, that had activity at this airport during the prior calendar year.
- Column B.** For each aircraft sub-fleet type, list each route pair that the sub-fleet completed. For example JFK/LAX, LAX/DFW, LAX/SMF, SMF/LAX, BUR/SFO, SFO/BUR.
- Column C.** Report the total number of times the route pair reported in Column B occurred during the prior calendar year.
- Column D.** Find and report the BOE Flight Time associated with the route pair reported in column B within the list published in the latest "Letter to Assessors".
- Column E.** Multiply the number of flights in column C by the associated flight time in Column D, subtotal the CA flight time by sub-fleet type.
- Column F.** Report the total ground time for each sub-fleet type at this airport.
- Column G.** Add the CA Flight Time calculated in column E by sub-fleet type to the ground time reported in Column F to obtain the total time for the sub-fleet type at this airport.

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**SUPPLEMENTARY SCHEDULE TO THE BUSINESS PROPERTY STATEMENT**  
**BOE-570-2**  
**FLIGHT EQUIPMENT VALUE COMPUTATION**  
 Allocated Value Summary  
 (See Reverse Side for Instructions)

CARRIER			COUNTY		AIRPORT		LIEN DATE	
A	B	C	D	E	F	G	H	I
NO. OF AIRCRAFT	AIRCRAFT TYPE	TOTAL TIME REPORTED ON FORM BOE-570-1	MAJOR MAINTENANCE TIME FOR OVERHAUL	TOTAL ALLOCATED TIME =(C+D)	TOTAL TIME =( A x 525,600 )	AIRCRAFT ALLOCATION FACTOR =(E/F)	AIRCRAFT TAXABLE VALUE (Assessor's Use Only)	AIRCRAFT ALLOCATED VALUE =(GxH) (Assessor's Use Only)
	TOTAL							

**RETURN THIS FORM WITH THE BUSINESS PROPERTY STATEMENT**

**INSTRUCTIONS FOR COMPLETING BOE-570-2**  
*Complete one sheet for each airport*

- Column A.** List the number of aircraft in each sub-fleet as of the lien date for the reporting year.
- Column B.** Enter the aircraft sub-fleet type name.
- Column C.** Enter the total time allocated to this airport as shown in Column G of form BOE-570-1.
- Column D.** Enter major maintenance time as calculated by sub-fleet type. Only maintenance that requires the aircraft to be taken out of revenue service shall be reported here. The time entered should be shown as a negative amount.
- Column E.** Add the time in Column C to the time in Column D
- Column F.** Calculate total available time by multiplying Column A, number of aircraft, by 525,600, the total number of minutes in one year.
- Column G.** Calculate the airport allocation factor by dividing Column E by Column F.
- Column H.** The taxable value of the carrier's entire fleet of each type of aircraft will be determined by the Assessor and entered in this column.
- Column I.** The Assessor will multiply the total factor in Column G by the taxable value in Column H and enter the result here.

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