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JAMES E. SPEED
Executive Director
No. 2002/002

January 14, 2002

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

EMERGENCY PROPERTY TAX RULE 138,
EXEMPTION FOR AIRCRAFT BEING REPAIRED,
OVERHAULED, MODIFIED OR SERVICED.

Following a scheduled public hearing on November 28, 2001, the State Board of Equalization approved emergency Property Tax Rule 138, Exemption for Aircraft Being Repaired, Overhauled, Modified, or Serviced. The rule was approved by the Office of Administrative Law on December 14, 2001 and is effective as of that date. Enclosed for your information is a final printed copy of the rule.

The emergency rule will expire on April 16, 2002. A public hearing on the proposed permanent regulation, however, is scheduled for Wednesday, March 27, 2002, at 1:30 p.m., in Sacramento. As the permanent regulation is tentatively scheduled to have an effective date of July 30, 2002, the emergency rule is also scheduled for readoption by the Board on Wednesday, March 27, 2002, at 1:30 p.m., in Sacramento.

If you have any questions regarding the content of this rule, please contact Mr. Anthony Epolite at (916) 324-2642. If you have any questions regarding the regulatory process for the permanent adoption of Rule 138, please contact Ms. Diane Olson, Regulations Coordinator, at (916) 322-9569.

Sincerely,

Deborah Pellegrini, Chief
Board Proceedings Division

DP:dgo
Enclosure

**Rule 138. EXEMPTION FOR AIRCRAFT BEING REPAIRED,
OVERHAULED, MODIFIED OR SERVICED.**

(a) SCOPE OF EXEMPTION. Any aircraft, certificated or noncertificated, which is in California on the lien date solely for the purpose of being repaired, overhauled, modified, or serviced is exempt from personal property taxation. Aircraft operated intrastate in or interstate into California and aircraft normally based in California do not qualify for exemption.

(b) QUALIFYING CERTIFICATED AIRCRAFT. Aircraft that qualify for exemption include certificated aircraft that have been taken out of revenue service by an air carrier:

- (1) for the purpose of being repaired, overhauled, modified, or serviced; and,
- (2) with an executed contract or a specific written plan for the purposes described in subsection (b)(1).

Aircraft in California solely for the purposes described in subsection (b)(1) include any incidental and attendant storage.

(c) INTERSTATE OPERATION. Certificated aircraft that have been taken out of revenue service under the provisions of subsection (b) above as of the lien date are not aircraft operated interstate into California for purposes of this rule.

(d) THE VALUATION OF CERTIFICATED AIRCRAFT. Certificated aircraft that have been taken out of revenue service, located in or outside of the state, under the provisions of subsection (b) above, shall not be valued pursuant to section 401.15 of the Revenue and Taxation Code nor included in the allocation formula of section 1152 of the Revenue and Taxation Code and rule 202, until the lien date next following the date that such aircraft are returned to revenue service.

(e) REPORTING BY AIR CARRIERS. When filing business property statements, air carriers shall indicate on the property statement or an attachment to the property statement those certificated aircraft which qualify for exemption pursuant to this section. Air carriers shall maintain records adequate to verify that these aircraft qualify for exemption.

Note: Authority: Section 15606, Government Code.

Reference: Sections 220, 1150, 1151, 1152 and 1154, Revenue and Taxation Code.

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