



CALIFORNIA ASSESSORS' ASSOCIATION

PRESIDENT'S LETTER

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*Past President

December 1, 2017

Honorable Diane Harkey, Chair
David Yeung, Chief, County-Assessed Properties Division
California State Board of Equalization

Via E-Mail

Re: Airline Representative Period

Dear Chair Harkey and Mr. Yeung,

In December, the Board of Equalization will consider the representative period for the purposes of assessing commercial air aircraft. On behalf of the California Assessors' Association, the Board of Equalization is urged to use a 12-month prior-to-the-lien-date representative period based on actual ground and flight data rather than relying upon data from a single week in January, which has no relationship to the marketplace. Additionally, we recommend the Board of Equalization delay a decision on the representative period to January and in the interim direct staff to enter into discussion with the CAA and the vendors who can provide data necessary for arriving at the 365 methodology per PTR 202f, as well as providing the information assessors may need to do the corresponding allocation per 202e.

During the past two years the California Assessors' Association and their Aircraft Advisory Subcommittee have spent significant time and resources identifying and confirming that the actual annual data is now readily available and verifiable from independent, third-party experts. These vendors are experts in managing large sets of data, allowing both assessors and the Board of Equalization to make more precise and accurate assessments of aircraft activity based upon "actual" data, as opposed to a single month.

Since 1968, the BOE has set the representative period for scheduled air carriers as a single week in January. Fifty years ago, technological limitations, combined with difficulty in assembling accurate data for thousands of commercial aircraft operating in California, was impossible.

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Today, it is very possible to access the data necessary to render an accurate assessment of commercial aircraft. Historically, the month of January, both intuitively and statistically, is the slowest period of flight activity for commercial airlines, resulting in the conveyance of a major property tax benefit to the airlines for fifty years. Consequently, January has never been a fair or accurate reflection of average flight activity for an entire year.

We have also have reviewed an analysis by California Department of Tax and Fee Administration (CDTFA) Research and Statistics Division which recommends October as the most representative month in which to select an average week. The CDTFA's conclusion is predicated upon monthly California jet fuel retail sales data. In the absence of actual data, the analysis by the CDTFA is a welcome improvement over past practice. Actual flight activity data, frequently referred to as the "365 methodology" is now readily available, and is clearly superior to other alternatives.

As noted in Issue Paper 16-12, the Board of Equalization indicated that actual data provide "county assessors with empirical data regarding actual ground and flight time and arrival and departure activity for the entire year. This would be equitable and in line with the requirement of non-scheduled air carriers, air taxis, charters, fractionally owned aircraft, and freighters currently assessed in California. Additionally, this representative period would mirror the reporting period required by many of the other taxing authorities within the United States, whether the aircrafts 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."

Accordingly, Issue Paper 16-12 raised important questions as to the viability of assessors being able to implement a representative period based upon 365 days. The questions included:

- How readily can 365 days of data be obtained? Who could/would provide the data?
- How would the data be verified? Could airlines dispute the data?
- Is it administratively feasible for county assessors' staff to process 365 days of data?
- Is it administratively feasible for airline carriers to provide 365 days of information to county assessors?
- How does the data for 12 months compare to a one- or two-week representative period?

In the interim the CAA has extensively evaluated the available data and concluded it is readily available from at least two vendors.

The BOE has three options. I urge you to adopt the most accurate option based on actual flight activity in determining the value of commercial aircraft operated by certificated air carriers and use a 12-month prior-to-the-lien-date representative period based on actual ground and flight data. Moreover, we urge the BOE

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to delay a decision on the representative period to January and in the interim direct staff to enter into discussion with the CAA and the vendors who can provide data necessary for arriving at the 365 methodology per PTR 202f as well as providing the information assessors may need to do the corresponding allocation per 202e.

Respectfully,



Richard N. Benson
President, California Assessors' Association

cc: Hon. George Runner, Vice-Chair, State Board of Equalization
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