



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 • FAX 1-916-285-0134
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco
SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

No. 2014/031

July 7, 2014

TO COUNTY ASSESSORS:

PROPERTY TAX EXEMPTION – SPACE FLIGHT PROPERTY

The Governor recently signed Assembly Bill 777 (Stats. 2014, ch. 13) which provides a property tax exemption for qualified space flight property. This bill became effective immediately.

Effective April 29, 2014, section 242 is added to the Revenue and Taxation Code and exempts from property tax qualified property for use in space flight for lien dates 2014 through 2024. The exemption goes into immediate effect and applies retroactively to the January 1, 2014 lien date for the 2014-15 fiscal year. The exemption does not apply to prior years, and no refunds are available for prior years.

For purposes of this exemption, "qualified property" includes:

- Tangible personal property, including raw materials, work in process or finished goods, that has, or upon manufacture, assembly, or installation has, space flight capacity.
- Space flight capacity includes, but is not limited to, an orbital space facility, space propulsion system, space vehicle, launch vehicle, satellite, or space station of any kind, and any component thereof.
- Fuel produced, sold, and exclusively used for space flight and not adaptable for use in ordinary motor vehicles.

"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.

Qualified personal property is eligible for the exemption regardless of whether the property will ultimately be returned to California. The exemption does not apply to any material that is not intended to be launched into space.

The exemption cannot be denied for the following reasons:

- The space flight launch fails, is postponed, or is cancelled.
- A launch vehicle, or any component thereof, is destroyed.

The exemption is limited to taxpayers that have a primary business purpose in space flight activities. Section 242 requires taxpayer to provide, upon request of the assessor, evidence that the qualified personal property exempted from property taxes under this section has been or will be used in space flight capacity.

The Legislature added a statement of intent that an inference should not be drawn from this measure with respect to whether space flight property qualifies as business inventory pursuant to Revenue and Taxation Code sections 129 and 219 and Property Tax Rule 133.

A copy of section 242 is enclosed. If you have any questions regarding this exemption, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Benjamin Tang for

Dean R. Kinnee, Chief
County-Assessed Properties Division
Property and Special Taxes Department

DRK:grs
Enclosure

Effective April 29, 2014, section 242 is added to the Revenue and Taxation Code, to read:

(a) There is exempted from the taxes imposed by this part qualified property for use in space flight.

(b) For purposes of this section:

(1) "Qualified property" means any of the following:

(A) Tangible personal property, whether raw materials, work in process or finished goods, that has, or upon manufacture, assembly, or installation has, space flight capacity, including, but not limited to, an orbital space facility, space propulsion system, space vehicle, launch vehicle, satellite, or space station of any kind, and any component thereof, regardless of whether that property is to be ultimately returned to this state.

(B) Fuel of a quality that is not adaptable for use in ordinary motor vehicles, but is produced, sold, and used exclusively for space flight.

(2) "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.

(c) The exemption established by this section shall not be denied by reason of failure, postponement, or cancellation of a launch of a space vehicle, satellite, space facility, or space station of any kind, or the destruction of any launch vehicle or any component thereof, but the exemption shall not apply to any material that is not intended to be launched into space.

(d) This section shall be operative from the January 1, 2014, lien date to, and including, the January 1, 2024, lien date, and is inoperative for any lien date thereafter.

(e) A taxpayer shall provide, upon request of the assessor, evidence that the qualified property exempted from the taxes imposed by this part pursuant to this section has been or will be used as described in subparagraph (A) of paragraph (1) of subdivision (b).

(f) The exemption provided by this section from the taxes imposed by this part shall be limited to taxpayers that have a primary business purpose in space flight activities.

(g) This section shall remain in effect only until July 1, 2025, and as of that date is repealed.