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No. 2019/034

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TO COUNTY ASSESSORS:

VALUATION OF CERTIFICATED AIRCRAFT

Effective September 20, 2019, operative January 1, 2020, [Senate Bill \(SB\) 791](#) amended Revenue and Taxation Code¹ section 441, amended and added section 1152, added sections 1153.5 and 1157, and repealed section 1153. For purposes of valuation of certificated aircraft, as described below, SB 791 establishes a new allocation formula, re-establishes a lead county, sets forth audit requirements, and revises the Board of Equalization's (BOE) role.

Allocation Formula

[Section 1152](#) establishes a new formula for allocating the taxable value of certificated aircraft for use beginning with the 2020-2021 fiscal year, operative for the January 1, 2020 lien date. The new allocation formula to be used by each county assessor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent in California during the 12-month period from January 1 through December 31 of the previous year immediately preceding the lien date (January 1), as compared to the total time during that 12-month period. Section 1152 provides the following definitions for the allocation formula:

- *Time in air* consists of flight time and taxi time within California borders and must be based on the BOE's "California Standard Flight Times" table in the most recently published Letter To Assessors (LTA) that addresses intrastate and interstate standard flight times. The standard flight times are multiplied by the number of departures to and from the airports listed in the LTA.
- *Ground time* is all time in California that is not flight time or taxi time. 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.
- *Time allocable to each airport* is the amount of time a certificated aircraft or scheduled air taxi is on the ground at the airport, plus the airport's portion of incoming and outgoing flight time.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

Lead County Assessor's Office

[Section 1153.5](#) re-establishes the local centralized administrative procedures using a "lead county" system, and provides for the duties of the lead county.

- On or before March 1, 2020, and on or before each March 1 thereafter, the Aircraft Advisory Subcommittee of the California Assessors' Association (CAA) shall designate a lead county assessor's office for each commercial air carrier operating certificated aircraft in California after soliciting input from commercial air carriers in the state. Every third year thereafter, the CAA subcommittee shall redesignate a lead county assessor's office for each of these air carriers, unless an air carrier and its existing lead county assessor's office concur to waive this redesignation.
- The lead county assessor's office role for each commercial air carrier to which the assessor is designated includes the following:
 - Calculate an unallocated value of the certificated aircraft.
 - Electronically transmit values to each county where the commercial air carrier has situs.
 - Receive the property statement as described in [section 441\(m\)](#).
 - Receive and electronically transmit to the assessor of each affected county flight data received pursuant to section 441(m).
 - Lead the audit team.
 - Notify, in writing, each commercial air carrier of the designation on or before the first March 15 that follows that designation.

Audit Requirement

[Section 1153.5\(d\)](#) requires an audit of a commercial air carrier once every four years on a centralized basis by an audit team of auditor appraisers from at least one, but not more than three counties, as selected by the Aircraft Advisory Subcommittee of the CAA. As noted previously, the audit team is led by the county designated as the lead county for the commercial air carrier.

- The audit is to include all California personal property and fixtures of the air carrier and is conducted on behalf of each county that would otherwise be required under [section 469](#).
- The audit team is to serve as the point of contact for all aircraft-related questions to or from each county and the commercial air carrier, and will ensure that all aircraft-related concerns regarding taxable value of the aircraft and aircraft parts are resolved before the aircraft assessment of the commercial air carrier is finalized.

BOE's Role

Previously, the BOE was required to annually designate a representative period to be used by all assessors in assessing the aircraft of each carrier for the following tax year to measure aircraft presence in California. In conducting this duty, the BOE was required to consult with the assessors of counties in which aircraft of an air carrier normally made physical contact. SB 791 eliminated the BOE's duty to designate a representative period.

BOE's current role is provided in [section 1157](#). The BOE is required, after consultation with the 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, forms, and instructions must be effective by January 1, 2020.

To determine the current allocation formula to be used by each county assessor, as provided in section 1152, the BOE is also required to continue to issue an LTA with the "California Standard Flight Times" table that addresses intrastate and interstate standard flight times. As previously noted, this LTA will be used as the basis for *time in air*, which consists of flight time and taxi time within California borders.

BOE staff have initiated a project to promulgate an emergency regulation through amendment of Property Tax Rule 202, and produce forms and instructions that implement the newly established allocation formula for the valuation of certificated aircraft. All documents regarding this project are posted to the project webpage at <http://www.boe.ca.gov/proptaxes/valuation-of-certificated-aircraft.htm>.

If you have questions regarding the valuation of certificated aircraft, you may contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

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