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No. 2023/045

November 17, 2023

TO COUNTY ASSESSORS:

SPACE FLIGHT PROPERTY TAX EXEMPTION: SUNSET DATE EXTENSION

Effective October 10, 2023, [Senate Bill 419](#) (Stats. 2023, ch. 713) amends Revenue and Taxation Code section 242 to extend the sunset date of the property tax exemption for qualified space flight property from lien date 2024 to lien date 2029. In addition, the sunset date for section 242 has been extended to July 1, 2030.

Thus, the property tax exemption applies to all qualified space flight property through the 2029-30 fiscal year, unless this date is further extended.

Section 242 exempts from property tax qualified property for use in space flight. "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 property" includes:

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

The exemption is limited to taxpayers that have a primary business purpose in space flight activities. As initially enacted, these provisions were operative for lien dates 2014 to 2024, and section 242 was scheduled to sunset on July 1, 2025.

Senate Bill 419 also added subdivision (g) to section 242 to require the Legislative Analyst's Office to provide a report on specified performance indicators to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public by January 1, 2028. To aid the Legislative Analyst's Office in researching this report, County Assessors, the State Board of Equalization, and others are required to provide information as specified by the Legislative Analyst's Office. Section 242(g)(3)(C) specifies that any records received by the Legislative Analyst's Office are deemed confidential information and not subject to disclosure.

Enclosed is a copy of amended section 242, with the changes shown in ~~strikeout~~ and *italics* format. If you have any questions regarding the space flight property tax exemption, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:abf
Enclosure

Effective October 10, 2023, Revenue and Taxation Code Section 242 is amended to read:

242. (a) There is exempted from 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, 2029, 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) For purposes of complying with Section 41, with respect to the exemption set forth in this section, as amended by the act adding this subdivision (hereafter "the exemption"), the Legislature finds and declares all of the following:

(1) The specific goal, purpose, and objective that the exemption will achieve includes increasing employment and investment in the space flight industry in California relative to other states with comparable infrastructure and capacity to support this industry.

(2) The detailed performance indicators for the Legislature to use in determining whether the exemption meets the goal, purpose, and objective specified in paragraph (1) are:

(A) The change in the number of employees in the space flight industry in California resulting from the exemption.

(B) The change in the compensation amounts of employees in the space flight industry in California resulting from the exemption.

(C) The change in the amount of investment made in space flight facilities in California resulting from the exemption.

Revenue and Taxation Code Section 242, effective October 10, 2023

(3) (A) By January 1, 2028, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, and the public a report that summarizes its findings regarding the performance indicators described in paragraph (2). The findings in the report shall be provided in an aggregated data format that anonymizes all information in the report. In researching the report, the Legislative Analyst's Office may request and receive information from county assessors, the State Board of Equalization, taxpayers benefitting from the exemption, trade associations, or other individuals or entities. The Legislative Analyst's Office may also request and receive information from the Employment Development Department in a nonconfidential form, as described in subdivision (c) of Section 1094 of the Unemployment Insurance Code.

(B) County assessors, the State Board of Equalization, the Employment Development Department, and taxpayers claiming the exemption shall provide information specified by the Legislative Analyst's Office as needed to research the report required by this paragraph.

(C) Notwithstanding any law, records received by and in the custody of the Legislative Analyst's Office in accordance with this subdivision shall be deemed confidential and shall not be subject to disclosure under the Legislative Open Records Act (Article 3.5 (commencing with Section 9070) of Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government Code).

(g) (h) This section shall remain in effect only until July 1, ~~2025~~, 2030, and as of that date is repealed.