AMENDED IN SENATE APRIL 13, 2015

SENATE BILL No. 661

Introduced by Senator Hill

February 27, 2015

An act to amend Sections 755 and 756 of, to amend, repeal, and add Sections *401.17,* 1152, 1153, and 1155 of, ~~and~~ to add Sections 100.51, 721.51, ~~and 828.1~~ *828.1, and 1157* to, *and to amend and repeal Section 1153.5 of,* the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 661, as amended, Hill. Property taxation: state assessment: commercial air carrier personal property.

Existing property tax law requires the personal property of an air carrier to be taxed at its fair market value, and the California Constitution requires property subject to ad valorem property taxation to be assessed in the county in which it is situated. Existing law, through the 2015–16 fiscal year, specifies a formula to determine the fair market value of certificated aircraft of a commercial air carrier, and rebuttably presumes that the amount determined pursuant to this formula is the fair market value of the certificated aircraft.

The California Constitution requires the State Board of Equalization to assess specified properties owned by specified entities. Existing property tax law provides for the valuation of properties of a state assessee that owns property in more than one county. Existing law also provides, pursuant to specified formulas, for the application in each county of specified tax rates to the allocated assessed value of a state assessee's property, and for the allocation among jurisdictions in that county of the resulting revenues.

This bill would, from the lien date for the ~~2016–17~~ *2017–18* fiscal year and each fiscal year thereafter, require the board to assess personal property that is owned by a commercial air carrier, as defined, in a manner consistent with currently specified procedures that determine the extent that the certificated aircraft is physically present in each county within the state. *The bill would require the board to determine the fair market value of certificated aircraft according to the formula described above.* This bill would require the board to notify county assessors, as specified, if a commercial air carrier's taxable personal property includes fixtures that are to be locally assessed as real property. This bill would require that the revenues derived from the assessment of this property be allocated in the same percentage shares as revenues derived from locally assessed property among the jurisdictions in which the property is located. This bill would also make conforming changes to related provisions. *The bill would also require the board to conduct an audit of a commercial air carrier every four years, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 100.51 is added to the Revenue and Taxation Code, to read:

100.51. Notwithstanding any other law, for the ~~2016–17~~ *2017–18* fiscal year and each fiscal year thereafter, all of the following apply:

(a) The property tax assessed value of taxable personal property that is owned by a commercial air carrier, as defined in Section 721.51, and that is assessed by the board, shall be allocated entirely to that tax rate area in the county in which the property is located.

(b) The tax rate applied to the assessed value allocated pursuant to subdivision (a) shall be the rate calculated pursuant to Section 93.

(c) The revenues derived from the application of the tax rate to the assessed value allocated to a tax rate area pursuant to subdivision (a) shall be allocated among the jurisdictions in that tax rate area, in those same percentage shares that property tax revenues derived from locally assessed property are allocated to those jurisdictions in that tax rate area, subject to any allocation and payment of funds as provided in subdivision (b) of Section

33670 of the Health and Safety Code, and subject to any modifications or adjustments made pursuant to Sections 99 and 99.2.

SEC. 2. Section 401.17 of the Revenue and Taxation Code is amended to read:

401.17. (a) For the 2005–06 fiscal year to the ~~2015–16~~ *2016–17* fiscal year, inclusive, it shall be rebuttably presumed that the preallocated fair market value of each make, model, and series of mainline jets, production freighters, and regional aircraft that has attained situs within this state is the lesser of the sum total of the amounts determined under paragraph (1) or the sum total of the amounts determined under paragraph (2). The value of an individual aircraft assessed to the original owner of that aircraft shall not exceed its original cost from the manufacturer. The preallocated fair market value of an aircraft may be rebutted by evidence including, but not limited to, appraisals, invoices, and expert testimony.

(1) (A) The original cost for the aircraft, which shall be determined as follows and adjusted, as applicable, under subparagraphs (B), (C), and (D):

(i) For owned and leased aircraft, the taxpayer's or lessor's acquisition cost for that individual aircraft reported in accordance with generally accepted accounting principles, and to the extent not included in the acquisition cost, transportation costs and capitalized interest and the cost of improvements made before a transaction described in clause (ii). If the original cost for leased aircraft cannot be determined from information reasonably available to the taxpayer, original cost may be determined by reference to the "average new prices" column of the Airliner Price Guide for that model, series, and year of manufacture of aircraft. If information is not available in the "average new prices" column for that model, series, and year, the original cost may be determined using the best indicator of original cost plus all conversion costs and improvement costs incurred for that aircraft.

(ii) For sale/leaseback or assignment of purchase rights transaction aircraft, the average of the taxpayer's cost established pursuant to clause (i) and the cost established in a sale/leaseback or assignment of purchase rights transaction for individual aircraft that transfers the benefits and burdens of ownership to the lessor for United States federal income tax purposes. In no event shall the original cost for sale/leaseback aircraft be less than the taxpayer's acquisition cost.

(iii) In the event of a merger, bankruptcy, or change in accounting methods by the reporting airline, there shall be a rebuttable presumption that the cost of the individual aircraft and the acquisition date reported by the acquired company, if available, or the cost reported prior to the change in accounting method, are the original cost and the applicable acquisition date.

(B) (i) For mainline jets and production freighters, the original cost described in subparagraph (A), plus the cost of any improvements not otherwise included in the original cost, shall be adjusted from the date of the acquisition of the aircraft to the lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 20-year straight-line percent-good table starting from the delivery date of the aircraft to the current owner or, in the case of a sale/leaseback or assignment of purchase rights transaction, as described in this section, the current operator with a minimum combined factor of 25 percent.

(ii) For regional aircraft, the original cost described in subparagraph (A), plus the cost of any improvements not otherwise included in the original cost, shall be adjusted from the date of the acquisition of the aircraft to the lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table starting from the delivery date of the aircraft to the current owner or, in the case of a sale/leaseback or assignment of purchase rights transaction, as described in this section, the current operator with a minimum combined factor of 25 percent.

(iii) If original cost is determined by reference to the Airliner Price Guide "average new prices" column, the adjustments required by this paragraph shall be made by setting the acquisition date of the aircraft to be the date of the aircraft's manufacture.

(C) (i) For mainline jets and regional aircraft, the assessor shall analyze the adjusted original cost derived pursuant to subparagraph (B), for application of an economic obsolescence allowance which shall be determined as follows:

(I) For the applicable year, the assessor shall calculate the average annual net revenue per available seat mile, the net load factor, and the yield utilizing the Airline Quarterly Financial

Review published by the United States Department of Transportation, and referring to the section descriptive of the passenger airline industry, entitled “System Operations, System Pax. Majors” for the calendar year ending December 31 immediately preceding the applicable assessment date.

(II) For a 10-year benchmark, the assessor shall calculate as of December 31 for each of the 10 calendar years preceding the applicable year, the average annual net revenue per available seat mile, the net load factor, and the yield utilizing the Airline Quarterly Financial Review published by the United States Department of Transportation, and referring to the section descriptive of the passenger airline industry, entitled “System Operations, System Pax. Majors” for the calendar year ending December 31 immediately preceding the applicable assessment date.

(ii) (I) The assessor shall compare each factor calculated under subclause (I) of clause (i) with the corresponding factor calculated under subclause (II) of clause (i) to derive the percentage that each of the factors calculated under subclause (I) of clause (i) deviated from the 10-year benchmark calculated under subclause (II) of clause (i). The assessor shall then calculate a weighted average of the indicated percentage adjustments, weighted as follows:

(aa) Net revenue per available seat mile shall be weighted 35 percent.

(ab) Net load factor shall be weighted 35 percent.

(ac) Yield shall be weighted 30 percent.

(II) The assessor shall reduce the adjusted original costs derived under subparagraph (B) by the percentage adjustment calculated in subclause (I), but only if the final economic obsolescence determined under that subclause exceeds 10 percent, otherwise no economic obsolescence allowance shall be provided.

(D) (i) For production freighters, the assessor shall analyze the adjusted original cost derived under subparagraph (B), for application of an economic obsolescence allowance, as follows:

(I) For the applicable year, the assessor shall calculate the industry average of net revenue per available ton mile and the ton load factor based upon the Airline Quarterly Financial Review published by the United States Department of Transportation, and referring to the section descriptive of the cargo airline industry, entitled “System Operations, System Cargo Majors” for the calendar year ending December 31 preceding the relevant assessment date.

(II) For a 10-year benchmark, the assessor shall calculate as of December 31 for each of the 10 calendar years preceding the applicable year, the net revenue per available ton mile and the ton load factor utilizing the Airline Quarterly Financial Review published by the United States Department of Transportation and referring to the section descriptive of the cargo airline industry, entitled “System Operations, System Cargo Majors” as of December 31 for each of the 10 calendar years preceding the calendar year utilized for the subject year, for the calendar year ending December 31 immediately preceding the applicable assessment date.

(ii) (I) The assessor shall compare each factor calculated under subclause (I) of clause (i) with the corresponding factor calculated under subclause (II) of clause (i) to derive the percentage that each of the factors calculated under subclause (I) of clause (i) deviated from the 10-year benchmark calculated under subclause (II) of clause (i). The assessor shall then calculate a weighted average of the indicated percentage adjustments so that the net revenue per available ton mile is weighted 50 percent and the ton load factor is weighted 50 percent.

(II) The assessor shall reduce the adjusted original costs derived under subparagraph (B) by the percentage adjustment calculated in subclause (I), but only if the final economic obsolescence determined under that subclause exceeds 10 percent, otherwise no economic obsolescence allowance shall be provided.

(2) (A) Except as otherwise provided in subparagraph (B), for each individual mainline jet, production freighter, or regional aircraft, the assessor shall identify the value referenced in the “Used Price of Avg. Acft. Wholesale” column of the Winter edition of the Airliner Price Guide by make, model, series, and year of manufacture, and deduct 10 percent from that value for a fleet discount.

(B) For each individual mainline jet, production freighter, or regional aircraft that is less than two years old and for which the Airliner Price Guide does not list used wholesale values, the original cost determined under paragraph (1) of subparagraph (A) shall be decreased by the lesser of 5 percent or one-half of the percentage decrease between original cost and 90 percent of the value listed in the "Used Price of Avg. Acft. Wholesale" column of the Winter edition of the Airliner Price Guide for a two-year-old aircraft of that same make, model, and series.

(b) For the 2005–06 fiscal year to the ~~2015–16~~ *2016–17* fiscal year, inclusive, it shall be rebuttably presumed that the preallocated fair market value for each make, model, and series of converted freighters that has attained situs within this state is the amount that is determined as follows:

(1) (A) The assessor shall begin his or her appraisal of a converted freighter as of the relevant lien date by identifying the aircraft's original cost as a passenger aircraft prior to conversion. The aircraft's original cost as a converted freighter shall be the lesser of:

(i) Its trended original cost as a passenger aircraft prior to conversion, less a downward adjustment of 10 percent to reflect tear-outs.

(ii) Its value described in the Winter edition of the Airliner Price Guide in the "Used Price of Avg. Acft. Wholesale" column in passenger configuration, less a downward adjustment of 10 percent to reflect tear-outs.

(B) The amount determined under subparagraph (A) shall be adjusted according to the following:

(i) If, on the relevant lien date, the frame of the aircraft is 15 years old or more, 50 percent of the cost to convert the aircraft to a freighter shall be added to the value determined under subparagraph (A).

(ii) If, on the relevant lien date, the frame of the aircraft is less than 15 years old, 75 percent of the cost to convert the aircraft to a freighter shall be added to the value determined under subparagraph (A).

(iii) In addition, all other improvements, including capitalized interest, to the aircraft that are not otherwise included in the aircraft's original and conversion costs shall be added at full value.

(2) The amount determined under paragraph (1) shall be adjusted from the date of the conversion of the aircraft to the lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table, however, the percent-good applied to the aircraft shall in no event be less than 15 percent.

(3) If the Airliner Price Guide “Used Price of Avg. Acft. Wholesale” is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be adjusted from the date of the conversion of the aircraft to the relevant lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table. In no event, however, shall the percent-good applied to the improvements and adjusted conversion costs be less than 15 percent.

(4) (A) Except as otherwise provided in subparagraph (B), the assessor shall reduce the adjusted original cost, plus improvements, and adjusted conversion costs, derived under paragraphs (1) to (3), inclusive, by the obsolescence percentage adjustment calculated for production freighters under subparagraph (D) of paragraph (1) of subdivision (a).

(B) If the Airliner Price Guide “Used Price of Avg. Acft. Wholesale” is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be reduced by the obsolescence percentage adjustment described in subparagraph (A).

(c) For purposes of this section, if the Airliner Price Guide ceases to be published or the format significantly changes, a guide or adjustment agreed to by commercial air carriers and the counties in which certificated aircraft have situs shall be substituted. If these parties do not agree on a guide or adjustment, the State Board of Equalization shall determine the guide or adjustment.

(d) The taxpayer shall, to the extent that information is reasonably available to the taxpayer, furnish the county assessor with an annual property statement that includes the aircraft original costs as defined in subparagraph (A) of paragraph (1) of subdivision (a). If an air carrier that has this information reasonably available to it fails to report original cost and improvements, as required by Sections 441 and 442, an assessor may in that case make an appropriate assessment pursuant to Section 501.

(e) For purposes of this section, all of the following apply:

(1) “Converted freighter” means a certificated aircraft, as defined in Section 1150, that, following its original manufacture, was used for passenger transportation, but was later converted to be used primarily for cargo transportation purposes.

(2) “Mainline jet” means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by Boeing, Airbus, or McDonnell Douglas.

(B) Capable of being configured with approximately 100 seats or more.

(3) “Production Freighter” means a certificated aircraft, as defined in Section 1150, that immediately following its manufacture is deployed primarily for cargo transportation purposes.

(4) “Regional aircraft” means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by ATR (Avions De Transport Regional), Beech, British Aerospace Jetstream, Canadair Regional Jet, Cessna, DeHaviland, Embraer, Fairchild, or Saab.

(B) Generally configured with fewer than 100 seats.

(5) “Improvements” means the cost of any modifications or capital additions that materially add to the value of or substantially prolong the useful life of the aircraft, or make it adaptable to a different use. “Improvements” include modification costs incurred during a heavy maintenance visit to the extent that they materially add to the value of or substantially prolong the useful life of the aircraft. “Improvements” do not include repair and maintenance costs incurred for the purpose of keeping the aircraft in an ordinarily efficient operating condition.

(6) “Net revenue per available seat mile” means operating revenue per available seat mile less cost per available seat mile as determined by the United States Department of Transportation.

(7) “Net load factor” means actual passenger load factor less break-even passenger load factor, as determined by the United States Department of Transportation.

(8) “Net revenue per available ton mile” means operating revenue per ton mile less cost per available ton mile as determined by the United States Department of Transportation.

(9) “Yield” means average revenue per revenue passenger mile as determined by the United States Department of Transportation.

(10) “Ton Load Factor” means that percentage of effective use of cargo capacity as determined by the United States Department of Transportation.

(f) The amendments made by the act adding this subdivision shall apply with respect to lien dates occurring on and after January 1, 2011.

(g) This section shall remain in effect only until July 1, 2017, and as of that date is repealed.

SEC. 3. Section 401.17 is added to the Revenue and Taxation Code, to read:

401.17. (a) For the 2017–18 fiscal year and each fiscal year thereafter, it shall be rebuttably presumed that the preallocated fair market value of each make, model, and series of mainline jets, production freighters, and regional aircraft that has attained situs within this state is the lesser of the sum total of the amounts determined under paragraph (1) or the sum total of the amounts determined under paragraph (2). The value of an individual aircraft assessed to the original owner of that aircraft shall not exceed its original cost from the manufacturer. The preallocated fair market value of an aircraft may be rebutted by evidence including, but not limited to, appraisals, invoices, and expert testimony.

(1) (A) The original cost for the aircraft, which shall be determined as follows and adjusted, as applicable, under subparagraphs (B), (C), and (D):

(i) For owned and leased aircraft, the taxpayer's or lessor's acquisition cost for that individual aircraft reported in accordance with generally accepted accounting principles, and to the extent not included in the acquisition cost, transportation costs and capitalized interest and the cost of improvements made before a transaction described in clause (ii). If the original cost for leased aircraft cannot be determined from information reasonably available to the taxpayer, original cost may be determined by reference to the "average new prices" column of the Airliner Price Guide for that model, series, and year of manufacture of aircraft. If information is not available in the "average new prices" column for that model, series, and year, the original cost may be determined using the best indicator of original cost plus all conversion costs and improvement costs incurred for that aircraft.

(ii) For sale/leaseback or assignment of purchase rights transaction aircraft, the average of the taxpayer's cost established pursuant to clause (i) and the cost established in a sale/leaseback or assignment of purchase rights transaction for individual aircraft

that transfers the benefits and burdens of ownership to the lessor for United States federal income tax purposes. In no event shall the original cost for sale/leaseback aircraft be less than the taxpayer's acquisition cost.

(iii) In the event of a merger, bankruptcy, or change in accounting methods by the reporting airline, there shall be a rebuttable presumption that the cost of the individual aircraft and the acquisition date reported by the acquired company, if available, or the cost reported prior to the change in accounting method, are the original cost and the applicable acquisition date.

(B) (i) For mainline jets and production freighters, the original cost described in subparagraph (A), plus the cost of any improvements not otherwise included in the original cost, shall be adjusted from the date of the acquisition of the aircraft to the lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 20-year straight-line percent-good table starting from the delivery date of the aircraft to the current owner or, in the case of a sale/leaseback or assignment of purchase rights transaction, as described in this section, the current operator with a minimum combined factor of 25 percent.

(ii) For regional aircraft, the original cost described in subparagraph (A), plus the cost of any improvements not otherwise included in the original cost, shall be adjusted from the date of the acquisition of the aircraft to the lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table starting from the delivery date of the aircraft to the current owner or, in the case of a sale/leaseback or assignment of purchase rights transaction, as described in this section, the current operator with a minimum combined factor of 25 percent.

(iii) If original cost is determined by reference to the Airliner Price Guide "average new prices" column, the adjustments required by this paragraph shall be made by setting the acquisition date of the aircraft to be the date of the aircraft's manufacture.

(C) (i) For mainline jets and regional aircraft, the board shall analyze the adjusted original cost derived pursuant to subparagraph (B), for application of an economic obsolescence allowance which shall be determined as follows:

(I) For the applicable year, the board shall calculate the average annual net revenue per available seat mile, the net load factor, and the yield utilizing the Airline Quarterly Financial Review published by the United States Department of Transportation, and referring to the section descriptive of the passenger airline industry, entitled "System Operations, System Pax. Majors" for the calendar year ending December 31 immediately preceding the applicable assessment date.

(II) For a 10-year benchmark, the board shall calculate as of December 31 for each of the 10 calendar years preceding the applicable year, the average annual net revenue per available seat mile, the net load factor, and the yield utilizing the Airline Quarterly Financial Review published by the United States Department of Transportation, and referring to the section descriptive of the passenger airline industry, entitled "System Operations, System Pax. Majors" for the calendar year ending December 31 immediately preceding the applicable assessment date.

(ii) (I) The board shall compare each factor calculated under subclause (I) of clause (i) with the corresponding factor calculated under subclause (II) of clause (i) to derive the percentage that each of the factors calculated under subclause (I) of clause (i) deviated from the 10-year benchmark calculated under subclause (II) of clause (i). The board shall then calculate a weighted average of the indicated percentage adjustments, weighted as follows:

(ia) Net revenue per available seat mile shall be weighted 35 percent.

(ib) Net load factor shall be weighted 35 percent.

(ic) Yield shall be weighted 30 percent.

(II) The board shall reduce the adjusted original costs derived under subparagraph (B) by the percentage adjustment calculated in subclause (I), but only if the final economic obsolescence determined under that subclause exceeds 10 percent, otherwise no economic obsolescence allowance shall be provided.

(D) (i) For production freighters, the board shall analyze the adjusted original cost derived under subparagraph (B), for application of an economic obsolescence allowance, as follows:

(I) For the applicable year, the board shall calculate the industry average of net revenue per available ton mile and the ton load factor based upon the Airline Quarterly Financial Review

published by the United States Department of Transportation, and referring to the section descriptive of the cargo airline industry, entitled "System Operations, System Cargo Majors" for the calendar year ending December 31 preceding the relevant assessment date.

(II) For a 10-year benchmark, the board shall calculate as of December 31 for each of the 10 calendar years preceding the applicable year, the net revenue per available ton mile and the ton load factor utilizing the Airline Quarterly Financial Review published by the United States Department of Transportation and referring to the section descriptive of the cargo airline industry, entitled "System Operations, System Cargo Majors" as of December 31 for each of the 10 calendar years preceding the calendar year utilized for the subject year, for the calendar year ending December 31 immediately preceding the applicable assessment date.

(ii) (I) The board shall compare each factor calculated under subclause (I) of clause (i) with the corresponding factor calculated under subclause (II) of clause (i) to derive the percentage that each of the factors calculated under subclause (I) of clause (i) deviated from the 10-year benchmark calculated under subclause (II) of clause (i). The board shall then calculate a weighted average of the indicated percentage adjustments so that the net revenue per available ton mile is weighted 50 percent and the ton load factor is weighted 50 percent.

(II) The board shall reduce the adjusted original costs derived under subparagraph (B) by the percentage adjustment calculated in subclause (I), but only if the final economic obsolescence determined under that subclause exceeds 10 percent, otherwise no economic obsolescence allowance shall be provided.

(2) (A) Except as otherwise provided in subparagraph (B), for each individual mainline jet, production freighter, or regional aircraft, the board shall identify the value referenced in the "Used Price of Avg. Acft. Wholesale" column of the Winter edition of the Airliner Price Guide by make, model, series, and year of manufacture, and deduct 10 percent from that value for a fleet discount.

(B) For each individual mainline jet, production freighter, or regional aircraft that is less than two years old and for which the Airliner Price Guide does not list used wholesale values, the

original cost determined under paragraph (1) of subparagraph (A) shall be decreased by the lesser of 5 percent or one-half of the percentage decrease between original cost and 90 percent of the value listed in the "Used Price of Avg. Acft. Wholesale" column of the Winter edition of the Airliner Price Guide for a two-year-old aircraft of that same make, model, and series.

(b) For the 2017–18 fiscal year and each fiscal year thereafter it shall be rebuttably presumed that the preallocated fair market value for each make, model, and series of converted freighters that has attained situs within this state is the amount that is determined as follows:

(1) (A) The board shall begin its appraisal of a converted freighter as of the relevant lien date by identifying the aircraft's original cost as a passenger aircraft prior to conversion. The aircraft's original cost as a converted freighter shall be the lesser of:

(i) Its trended original cost as a passenger aircraft prior to conversion, less a downward adjustment of 10 percent to reflect tear-outs.

(ii) Its value described in the Winter edition of the Airliner Price Guide in the "Used Price of Avg. Acft. Wholesale" column in passenger configuration, less a downward adjustment of 10 percent to reflect tear-outs.

(B) The amount determined under subparagraph (A) shall be adjusted according to the following:

(i) If, on the relevant lien date, the frame of the aircraft is 15 years old or more, 50 percent of the cost to convert the aircraft to a freighter shall be added to the value determined under subparagraph (A).

(ii) If, on the relevant lien date, the frame of the aircraft is less than 15 years old, 75 percent of the cost to convert the aircraft to a freighter shall be added to the value determined under subparagraph (A).

(iii) In addition, all other improvements, including capitalized interest, to the aircraft that are not otherwise included in the aircraft's original and conversion costs shall be added at full value.

(2) The amount determined under paragraph (1) shall be adjusted from the date of the conversion of the aircraft to the lien date using the monthly United States Department of Labor

Producer Price Index for aircraft and a 16-year straight-line percent-good table, however, the percent-good applied to the aircraft shall in no event be less than 15 percent.

(3) If the Airliner Price Guide "Used Price of Avg. Acft. Wholesale" is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be adjusted from the date of the conversion of the aircraft to the relevant lien date using the monthly United States Department of Labor Producer Price Index for aircraft and a 16-year straight-line percent-good table. In no event, however, shall the percent-good applied to the improvements and adjusted conversion costs be less than 15 percent.

(4) (A) Except as otherwise provided in subparagraph (B), the board shall reduce the adjusted original cost, plus improvements, and adjusted conversion costs, derived under paragraphs (1) to (3), inclusive, by the obsolescence percentage adjustment calculated for production freighters under subparagraph (D) of paragraph (1) of subdivision (a).

(B) If the Airliner Price Guide "Used Price of Avg. Acft. Wholesale" is utilized under paragraph (1), only the improvements and adjusted conversion costs pertaining to the converted freighter shall be reduced by the obsolescence percentage adjustment described in subparagraph (A).

(c) For purposes of this section, if the Airliner Price Guide ceases to be published or the format significantly changes, a guide or adjustment agreed to by commercial air carriers and the counties in which certificated aircraft have situs shall be substituted. If these parties do not agree on a guide or adjustment, the State Board of Equalization shall determine the guide or adjustment.

(d) The taxpayer shall, to the extent that information is reasonably available to the taxpayer, furnish the board with an annual property statement that includes the aircraft original costs as defined in subparagraph (A) of paragraph (1) of subdivision (a). If an air carrier that has this information reasonably available to it fails to report original cost and improvements, as required by Sections 441 and 442, the board may in that case make an appropriate assessment pursuant to Section 501.

(e) For purposes of this section, all of the following apply:

(1) "Converted freighter" means a certificated aircraft, as defined in Section 1150, that, following its original manufacture, was used for passenger transportation, but was later converted to be used primarily for cargo transportation purposes.

(2) "Mainline jet" means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by Boeing, Airbus, or McDonnell Douglas.

(B) Capable of being configured with approximately 100 seats or more.

(3) "Production Freighter" means a certificated aircraft, as defined in Section 1150, that immediately following its manufacture is deployed primarily for cargo transportation purposes.

(4) "Regional aircraft" means a certificated aircraft, as defined in Section 1150, that is either of the following:

(A) Manufactured by ATR (Avions De Transport Regional), Beech, British Aerospace Jetstream, Canadair Regional Jet, Cessna, DeHaviland, Embraer, Fairchild, or Saab.

(B) Generally configured with fewer than 100 seats.

(5) "Improvements" means the cost of any modifications or capital additions that materially add to the value of or substantially prolong the useful life of the aircraft, or make it adaptable to a different use. "Improvements" include modification costs incurred during a heavy maintenance visit to the extent that they materially add to the value of or substantially prolong the useful life of the aircraft. "Improvements" do not include repair and maintenance costs incurred for the purpose of keeping the aircraft in an ordinarily efficient operating condition.

(6) "Net revenue per available seat mile" means operating revenue per available seat mile less cost per available seat mile as determined by the United States Department of Transportation.

(7) "Net load factor" means actual passenger load factor less break-even passenger load factor, as determined by the United States Department of Transportation.

(8) "Net revenue per available ton mile" means operating revenue per ton mile less cost per available ton mile as determined by the United States Department of Transportation.

(9) "Yield" means average revenue per revenue passenger mile as determined by the United States Department of Transportation.

(10) "Ton Load Factor" means that percentage of effective use of cargo capacity as determined by the United States Department of Transportation.

(f) This section shall become operative on July 1, 2017.

~~SEC. 2.~~

SEC. 4. Section 721.51 is added to the Revenue and Taxation Code, to read:

721.51. (a) Notwithstanding any other law, commencing with the lien date for the ~~2016–17~~ *2017–18* fiscal year and for each fiscal year thereafter, the board shall annually assess all personal property that is owned, claimed, possessed, used, controlled, or managed by a commercial air carrier as defined in subdivision (b).

(b) (1) For purposes of this section, "commercial air carrier" means an air carrier or foreign air carrier engaged in air transportation as defined in Section 1150.

(2) Certificated aircraft owned or used by a commercial air carrier shall be assessed in a manner consistent with the procedures set forth in Article 6 (commencing with Section 1150) of Chapter 5 that determines the extent that the certificated aircraft is physically present in each county within this state.

(c) The board may audit a commercial air carrier as otherwise provided by law.

~~SEC. 3.~~

SEC. 5. Section 755 of the Revenue and Taxation Code is amended to read:

755. (a) On or before July 15, the board shall transmit to each county auditor an estimate of the total unitary value and operating nonunitary value of state-assessed property in the county and of nonunitary state-assessed property in each revenue district in the county. An estimate need not be made for a revenue district that did not levy a tax or assessment during the preceding year unless the board receives on or before January 1 preceding the fiscal year for which the levy is to be made a notice in writing of the proposed levy. The estimate shall be regarded as establishing the total assessed value of state-assessed property in the county and each revenue district in the county for the purpose of determining tax rates, subject only to those changes as may be transmitted on or prior to July 31. All information furnished pursuant to this section is at all times during office hours open to inspection by any interested person or entity.

(b) Notwithstanding subdivision (a), in making the estimate referred to in subdivision (a), the value of property described in paragraph (1) of subdivision (a) of Section 100.1 and the nonunitary value of the property of regulated railway companies, property subject to subdivisions (i), (j), (k), and (*l*) of Section 100, property subject to Section 100.9, and property subject to Section 100.51 shall be allocated by revenue district.

(c) The amendments made to this section by the act that added this subdivision apply for the 2007–08 fiscal year and for each fiscal year thereafter.

~~SEC. 4.~~

SEC. 6. Section 756 of the Revenue and Taxation Code is amended to read:

756. (a) On or before July 31, the board shall transmit to each county auditor a roll showing the unitary and operating nonunitary assessments made by the board in the county and the nonoperating nonunitary assessments made by the board in each city and revenue district in the county; provided, however, that the roll need not show the assessments made by the board in a revenue district which did not levy a tax or assessment during the preceding year. The roll is at all times, during office hours, open to the inspection of any person representing any taxing agency or revenue district, or any district described in Section 2131. If the roll does not show the assessments in a revenue district as herein provided and a notice of a proposed levy is furnished to the board in writing, on or before January 1 preceding the fiscal year for which the levy is to be made, the board shall furnish an estimate of the total assessed value of nonoperating nonunitary state-assessed property in the district and shall transmit thereafter to the county auditor a statement of roll change showing the nonoperating nonunitary assessments made by the board in the district.

(b) Notwithstanding subdivision (a), in making the roll referred to in subdivision (a), the value of property described in paragraph (1) of subdivision (a) of Section 100.11 and the nonunitary value of the property of regulated railway companies, property subject to subdivisions (i), (j), (k), and (*l*) of Section 100, property subject to Section 100.9, and property subject to Section 100.51 shall be enrolled by revenue district.

(c) The amendments made to this section by the act that added this subdivision apply for the 2007–08 fiscal year and for each fiscal year thereafter.

~~SEC. 5.~~

SEC. 7. Section 828.1 is added to the Revenue and Taxation Code, to read:

828.1. (a) All of the following apply to a property statement submitted by a commercial air carrier:

(1) Personal property located in this state, other than certificated aircraft, shall be reported by reference to the tax rate area in order to allocate assessed value by tax rate area as required by Section 100.51.

(2) Information related to certificated aircraft that normally make physical contact in counties shall be reported in the form prescribed by the board.

(b) If a commercial air carrier's property statement includes fixtures that are to be locally assessed as fixtures, the board shall provide information regarding the fixtures to the county assessor for the county in which the fixtures are located.

~~SEC. 6.~~

SEC. 8. Section 1152 of the Revenue and Taxation Code is amended to read:

1152. The allocation formula to be used by each assessor is as follows:

(a) The time in state factor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent within the state during a representative period as compared to the total time in the representative period. For purposes of this subdivision, all time, both in the air and on the ground, that certificated aircraft have spent within the state prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date shall be excluded from the time in state factor. This factor shall be multiplied by 75 percent.

(b) The arrivals and departures factor is the proportionate number of arrivals in and departures from airports within the state of certificated aircraft during a representative period as compared to the total number of arrivals in and departures from airports during the representative period. This factor shall be multiplied by 25 percent.

(c) For the 1983–84 fiscal year and fiscal years thereafter, in computing the time-in-state factor, on each occasion during the representative period that a certificated aircraft has spent 720 or more consecutive hours on the ground, all ground time in excess of 168 hours shall be excluded from the time in state attributable to that aircraft.

(d) The time-in-state factor shall be added to the arrivals and departures factor.

(e) The figure produced by application of subdivision (d) equals the allocation to be applied to full cash value to determine the value to which the assessment ratio shall be applied.

(f) This section shall remain in effect only until ~~January 1, 2016,~~ *July 1, 2017,* and as of that date is repealed.

~~SEC. 7.~~

SEC. 9. Section 1152 is added to the Revenue and Taxation Code, to read:

1152. The allocation formula to be used by the board is as follows:

(a) The time in state factor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent within the state during a representative period as compared to the total time in the representative period. For purposes of this subdivision, all time, both in the air and on the ground, that certificated aircraft have spent within the state prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date shall be excluded from the time in state factor. This factor shall be multiplied by 75 percent.

(b) The arrivals and departures factor is the proportionate number of arrivals in and departures from airports within the state of certificated aircraft during a representative period as compared to the total number of arrivals in and departures from airports during the representative period. This factor shall be multiplied by 25 percent.

(c) For the ~~2016–17~~ *2017–18* fiscal year and each fiscal year thereafter, in computing the time-in-state factor, on each occasion during the representative period that a certificated aircraft has spent 720 or more consecutive hours on the ground, all ground time in excess of 168 hours shall be excluded from the time in state attributable to that aircraft.

(d) The time-in-state factor shall be added to the arrivals and departures factor.

(e) The figure produced by application of subdivision (d) equals the allocation to be applied to full cash value to determine the value to which the assessment ratio shall be applied.

(f) This section shall become operative on ~~January 1, 2016.~~ *July 1, 2017.*

~~SEC. 8.~~

SEC. 10. Section 1153 of the Revenue and Taxation Code is amended to read:

1153. (a) After consulting with the assessors of the counties in which aircraft of an air carrier normally make physical contact, the board shall designate for each assessment year the representative period to be used by the assessors in assessing the aircraft of the carrier.

(b) This section shall remain in effect only until ~~January 1, 2016,~~ *July 1, 2017,* and as of that date is repealed.

~~SEC. 9.~~

SEC. 11. Section 1153 is added to the Revenue and Taxation Code, to read:

1153. (a) Notwithstanding any other law, for the ~~2016-17~~ *2017–18* fiscal year and for each fiscal year thereafter, the representative period to be used by the board in assessing the certificated aircraft of a commercial air carrier shall be the second full week of January annually.

(b) This section shall become operative on ~~January 1, 2016.~~ *July 1, 2017.*

SEC. 12. Section 1153.5 of the Revenue and Taxation Code is amended to read:

1153.5. (a) The Aircraft Advisory Subcommittee of the California Assessors' Association shall, after soliciting input from commercial air carriers operating in the state, do both of the following:

(1) On or before March 1, 2006, and on or before each March 1 thereafter, designate a lead county assessor's office for each commercial air carrier operating certificated aircraft in this state in that assessment year.

(2) Every third year thereafter, 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.

(b) The lead county assessor's office described in subdivision (a) shall do all of the following:

(1) Calculate, pursuant to Section 401.17, an unallocated value of the certificated aircraft of each commercial air carrier to which he or she is designated.

(2) Electronically transmit to the assessor of each county in which the property described in paragraph (1) has situs for the assessment year the values determined by the lead county assessor's office under paragraph (1).

(3) Receive the property statement, as described in subdivision (*l*) of Section 441, of each commercial air carrier to which he or she is designated.

(4) Lead the audit team described in subdivision (d) when that team is conducting an audit of a commercial air carrier to which he or she is designated.

(5) Notify, in writing, each commercial air carrier for which he or she has been designated of this designation on or before the first March 15 that follows that designation.

(c) (1) Notwithstanding subdivision (b), the county assessor of each county in which the personal property of a commercial air carrier has situs for an assessment year is solely responsible for assessing that property, applying the allocation formula set forth in Section 1152, and enrolling the value of the property in that county, but, in determining the unallocated fleet value for each make, model, and series of certificated aircraft of a commercial air carrier, the assessor may consult with the lead county assessor's office designated for that commercial air carrier.

(2) The lead county assessor's office is subject to Section 322 of Title 18 of the California Code of Regulations and Sections 408, 451, and 1606 to the same extent as the assessor described in paragraph (1).

(d) Notwithstanding Section 469, an audit of a commercial air carrier shall be conducted 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 determined by the Aircraft Advisory Subcommittee of the California Assessors' Association. An audit, so conducted, shall encompass all of the California Personal Property and fixtures of the air carrier and is deemed to be made on behalf of each county for which an audit would otherwise be required under Section 469.

(e) This section shall remain in effect only until ~~December 31, 2015,~~ *July 1, 2017,* and as of that date is repealed.

~~SEC. 10.~~

SEC. 13. Section 1155 of the Revenue and Taxation Code is amended to read:

1155. For purposes of Section 404, certificated aircraft shall be deemed to be situated only in those taxing agencies in which the aircraft normally make physical contact with sufficient regularity to entitle such agencies to tax the aircraft under the laws and Constitution of the United States. Flight time within the state shall be allocated as follows:

(a) If the aircraft takes off in one taxing agency which is entitled to tax (within the meaning of the preceding sentence) and lands in another agency which is entitled to tax, the flight time between such taxing agencies shall be allocated one-half to each such agency.

(b) If the aircraft arrives from out of state or leaves the state, the flight time from or to the state boundary shall be allocated to the taxing agency entitled to tax in which the aircraft first lands or last takes off, as the case may be.

(c) This section shall remain in effect only until ~~January 1, 2016,~~ *July 1, 2017,* and as of that date is repealed.

~~SEC. 11.~~

SEC. 14. Section 1155 is added to the Revenue and Taxation Code, to read:

1155. (a) For purposes of Section 100.51, certificated aircraft shall be deemed to be situated only in those tax rate areas in which the aircraft normally make physical contact with sufficient regularity to entitle that tax rate area to the assessed value of the aircraft under the laws and Constitution of the United States. Flight time within the state shall be allocated as follows:

(1) If the aircraft takes off in one tax rate area that is entitled to the assessed value of the aircraft and lands in another tax rate area that is entitled to the assessed value of the aircraft, the flight time between the two tax rate areas shall be allocated one-half to each of the two tax rate areas.

(2) If the aircraft arrives from out of state or leaves the state, the flight time from or to the state boundary shall be allocated to

the tax rate area entitled to the assessed value of the aircraft in which the aircraft first lands or last takes off, as the case may be.

(b) This section shall become operative on ~~January 1, 2016.~~ *July 1, 2017.*

SEC. 15. Section 1157 is added to the Revenue and Taxation Code, to read:

1157. (a) Notwithstanding Section 469, the board shall conduct an audit of a commercial air carrier that has a full value of four hundred thousand dollars ($400,000) or more of assessable California personal property once every four years. An audit, so conducted, shall encompass all of the California personal property of the air carrier and is deemed to be made on behalf of each county for which an audit would otherwise be required under Section 469.

(b) This section shall become operative on July 1, 2017.

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