



STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0080
ANTHONY EPOLITE (916) 324-2642
FAX (916) 323-3387
www.boe.ca.gov

JOHAN KLEHS
First District, Hayward

DEAN ANDAL
Second District, Stockton

CLAUDE PARRISH
Third District, Torrance

JOHN CHIANG
Fourth District, Los Angeles

KATHLEEN CONNELL
State Controller, Sacramento

September 16, 2002

TO COUNTY ASSESSORS,
COUNTY COUNSELS, AND
OTHER INTERESTED PARTIES:

JAMES E. SPEED
Executive Director
No. 2002/062

CALIFORNIA CODE OF REGULATIONS
TITLE 18. PUBLIC REVENUES

PROPERTY TAX RULE 138

EXEMPTION FOR AIRCRAFT BEING REPAIRED, OVERHAULED, MODIFIED OR SERVICED

[Note: This letter supersedes and replaces Letter To Assessors No. 2002/052, dated August 16, 2002.]

Following a scheduled public hearing on March 27, 2002, the Board adopted Property Tax Rule 138, *Exemption for Aircraft Being Repaired, Overhauled, Modified or Serviced*. The effective date of this regulation is May 20, 2002. Enclosed for your information is a final printed copy of the regulation.

The Board originally adopted Property Tax Rule 138 on an emergency basis on November 28, 2001, with the emergency rule having an effective date of December 14, 2001. The Board subsequently readopted Rule 138 on an emergency basis on March 27, 2002. On the same date, the Board adopted the permanent rule effective May 20, 2002. Subsection (d) of the permanent rule differs from subsection (d) of the emergency rule; however, the difference is technical and nonsubstantive.

Letter To Assessors No. 2002/052, dated August 16, 2002, announced the adoption of the permanent rule, with attached text. Inadvertently, however, the attached text reflected the emergency rule, without the technical change to subsection (d). Accordingly, please disregard Letter To Assessors No. 2002/052. We apologize for any inconvenience or confusion caused by this prior mailing.

If you have any questions regarding the content of this regulation, please contact Mr. Anthony Epolite at (916) 324-2642 or anthony.epolite@boe.ca.gov. If you wish extra copies of this regulation, please write to State Board of Equalization, Supply Publications, 3920 West Capitol Avenue, West Sacramento, CA 95691.

Sincerely,

/s/ Deborah Pellegrini
Deborah Pellegrini, Chief
Board Proceedings Division

DP:sk
Enclosure

State of California
BOARD OF EQUALIZATION
PROPERTY TAX RULES

Chapter 1. State Board of Equalization – Property Tax

Subchapter 2. Assessment

Article 3. Exemptions and Immunities

RULE 138. EXEMPTION FOR AIRCRAFT BEING REPAIRED, OVERHAULED, MODIFIED OR SERVICED.

Authority Cited: Section 15606, Government Code.

Reference: Sections 220, 1150, 1151, 1152 and 1154, Revenue and Taxation Code.

(a) SCOPE OF EXEMPTION. Any aircraft, certificated or noncertificated, which is in California on the lien date solely for the purpose of being repaired, overhauled, modified, or serviced is exempt from personal property taxation. Aircraft operated intrastate in or interstate into California and aircraft normally based in California do not qualify for exemption.

(b) QUALIFYING CERTIFICATED AIRCRAFT. Aircraft that qualify for exemption include certificated aircraft that have been taken out of revenue service by an air carrier:

- (1) for the purpose of being repaired, overhauled, modified, or serviced; and,
- (2) with an executed contract or a specific written plan for the purposes described in subsection (b)(1).

Aircraft in California solely for the purposes described in subsection (b)(1) include any incidental and attendant storage.

(c) INTERSTATE OPERATION. Certificated aircraft that have been taken out of revenue service under the provisions of subsection (b) above as of the lien date are not aircraft operated interstate into California for purposes of this rule.

(d) THE VALUATION OF CERTIFICATED AIRCRAFT. Certificated aircraft, located in or outside of the state, that have been taken out of revenue service under the provisions of subsection (b) above, shall not be valued pursuant to section 401.15 of the Revenue and Taxation Code nor included in the allocation formula of section 1152 of the Revenue and Taxation Code and rule 202, until the lien date next following the date that such aircraft are returned to revenue service.

(e) REPORTING BY AIR CARRIERS. When filing business property statements, air carriers shall indicate on the property statement or an attachment to the property statement those certificated aircraft which qualify for exemption pursuant to this section. Air carriers shall maintain records adequate to verify that these aircraft qualify for exemption.

History: Adopted November 28, 2001, as an emergency rule, effective December 14, 2001; readopted March 27, 2002, as an emergency rule, effective April 3, 2002; adopted March 27, 2002, as a permanent rule, effective May 20, 2002. Adopted to make clear that the exemption provided by section 220 of the Revenue and Taxation Code applies to certificated aircraft out of revenue service and in California under contract for repair, overhaul, maintenance, or service, where such aircraft are serviced in accordance with FAA requirements. The rule also clarifies that certificated aircraft exempt under section 220 are not to be included in the allocation calculations of rule 202.