

Office of the Assessor
County of Santa Clara



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Lawrence E. Stone, Assessor

November 22, 2017

Honorable Dianne Harkey, Chair
David Yeung, Chief, County-Assessed Properties Division

California Board of Equalization

*Sent via email to Honorable Dianne Harkey and David
Yeung*

RE: Airline Representative Period
Interested Parties Meeting
November 27, 2017, 9:30 a.m.

Dear Chair Harkey and Mr. Yeung,

In December, the Board of Equalization will determine the representative period for the purposes of assessing commercial air aircraft. I will be attending the Interested Parties Meeting and will urge the Board of Equalization to use actual flight data for the entire prior year, rather than relying upon data from a single week in January, which has no relationship to the marketplace, and is little more than a best guess.

During the past two years the California Assessors Association and their Aircraft Advisory Subcommittee have spent significant time and resources identifying and confirming that the actual annual data is now readily available, and verifiable from an independent, third-party expert. The company, Flight Ascend, is a publicly traded data corporation which manages the largest aviation database in the world, including data from 300,000 individual aircraft. Flight Ascend tracks the status of approximately 100,000 commercial flights each day. They are experts in managing large sets of data allowing both assessors and the Board of Equalization to make more precise and accurate assessments of aircraft activity based upon "actual" data, as opposed to a single month.

Since 1968, the State Board of Equalization (SBOE) has set the representative period for scheduled air carriers as a single week in January. Fifty years ago, technological limitations, combined with difficulty in assembling accurate data for thousands of commercial aircraft operating in California, was impossible.

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Today, it is very possible to access the data necessary to render an accurate assessment of commercial aircraft. Historically, the month of January, both intuitively and statistically, is the slowest period of flight activity for commercial airlines, resulting in the conveyance of a major property tax benefit to the airlines for fifty years. Consequently, January has never been a fair or accurate reflection of average flight activity for an entire year.

I also have reviewed an analysis by California Department of Tax and Fee Administration (CDTFA) Research and Statistics Division which recommends October as the most representative month in which to select an average week. The CDTFA's conclusion is predicated upon monthly California jet fuel retail sales data.

In the absence of actual data, the analysis by the CDFTA is a welcome improvement over past practice. However, this analysis still relies upon fuel sales, which at best is an "indirect" indicator of flight activity. Fuel sales are influenced not only by flight activity, but also by fuel prices. Actual flight activity data, frequently referred to as the "365 methodology" is now readily available, and is clearly superior to other alternatives.

As noted in issue paper 16-12, the Board of Equalization indicated that actual data provide "county assessors with empirical data regarding actual ground and flight time and arrival and departure activity for the entire year. This would be equitable and in line with the requirement of non-scheduled air carriers, air taxis, charters, fractionally owned aircraft, and freighters currently assessed in California. Additionally, this representative period would mirror the reporting period required by many of the other taxing authorities within the United States, whether the aircrafts are assessed locally at the county level or centrally by each state. Using the preceding 12-month period would eliminate the current process of having to determine a representative period to estimate the assessment of scheduled air carriers."

The SBOE has three options. I urge you to adopt the most accurate option based on actual flight activity in determining the value of commercial aircraft operated by certificated air carriers.

Sincerely,



Lawrence E. Stone
Santa Clara County Assessor

LES:lcc

cc: John A. Loudon, Senior Specialist Property Auditor Appraiser, SBOE
David Gau, Executive Director
Dean Kinnee, Deputy Director, Property Tax
George Runner, Board member, Board of Equalization

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Fiona Ma, Board member, Board of Equalization

Jerome Horton, Board member, Board of Equalization

Yvette Stowers, Board member, Board of Equalization

Rich Benson, President, California Assessors' Association (CAA)

John Sleeman, Chief, Business Division, Santa Clara County

Jeff Prang, Assessor, Los Angeles County

Neili Najjar, Supervising Appraiser, Los Angeles County