

AMENDED IN SENATE APRIL 26, 2016
AMENDED IN SENATE APRIL 14, 2016
AMENDED IN SENATE MARCH 28, 2016

SENATE BILL

No. 1329

Introduced by Senator Hertzberg

February 19, 2016

An act to amend Sections ~~401.17, 441, 441~~ and 1153.5 of, and to amend, repeal, and add ~~Section 5170~~ *Sections 5149 and 5170* of, and to add *Section 401.18* to, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 1329, as amended, Hertzberg. Property taxation: certificated aircraft.

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, for the 2005–06 fiscal year to the 2016–17 fiscal year, inclusive, 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. *Under existing law, the preallocated fair market value of certificated aircraft is the lesser of the original cost for the aircraft, calculated as specified, or the value of a used aircraft, determined as provided and reduced by 10% for a fleet discount or, for certain individual aircraft, the lesser of 5% or $\frac{1}{2}$ of the percentage decrease between the original cost and 90% of the value, as specified.*

Existing law, until December 31, 2016, requires the Aircraft Advisory Subcommittee of the California Assessors' Association to designate, after soliciting input from commercial air carriers operating in the state, a lead county assessor's office for each commercial air carrier operating certificated aircraft in this state in an assessment year, and requires the lead county assessor to calculate the value of the air carrier's personal property and to transmit these calculations to other county assessors, but specifies that each county assessor is responsible for assessing and enrolling the taxable value of the property in his or her county, as provided. Existing law, until December 31, 2016, also requires the lead county assessor's office to lead a team to audit the books and records of commercial air carriers and requires a commercial air carrier that receives a notice of the designation of a lead county assessor's office to file one signed property statement with the lead county assessor's office for its personal property at all airport locations and fixtures at all airport locations.

This bill would apply a similar formula for determining the fair market value of certificated aircraft for the 2017–18 fiscal year to the 2021–22 fiscal year, inclusive, but would not include the above-described 10% reduction for a fleet discount, and, for valuing individual aircraft, would instead provide that the value is the lesser of 5% or $\frac{1}{2}$ of the percentage decrease between the original cost and the full value, rather than between the original cost and 90% of the full value. The bill would extend the 2016–17 fiscal year termination date to the 2021–22 fiscal year and the December 31, 2016, inoperative or repeal date to December 31, 2021, for the above-described provisions relating to the determination of the fair market value and taxation of certificated aircraft.

Existing property tax law requires courts to give precedence to actions brought under provisions governing property taxes, with the exclusion of actions to recover taxes levied on state-assessed property, over all other civil actions, except actions to which special precedence is given by law.

This bill, until January 1, 2022, would additionally exclude from this requirement property tax refund proceedings for certificated aircraft.

Existing property tax law provides, with respect to suits for refund of state-assessed taxes, that the trial court is not restricted to the administrative record, but is required to consider all relevant admissible evidence.

This bill, until January 1, 2022, would extend these provisions to property tax refund proceedings involving certificated ~~aircraft~~ *aircraft that are filed on or after January 1, 2017*.

By extending the application of the aforementioned valuation process for certificated aircraft beyond the 2016–17 fiscal year, thereby imposing new duties upon a lead county assessor’s office, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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

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

1 ~~SECTION 1.—Section 401.17 of the Revenue and Taxation~~
2 ~~Code is amended to read:~~
3 ~~401.17. (a) For the 2005–06 fiscal year to the 2021–22 fiscal~~
4 ~~year, inclusive, it shall be rebuttably presumed that the preallocated~~
5 ~~fair market value of each make, model, and series of mainline jets,~~
6 ~~production freighters, and regional aircraft that has attained situs~~
7 ~~within this state is the lesser of the sum total of the amounts~~
8 ~~determined under paragraph (1) or the sum total of the amounts~~
9 ~~determined under paragraph (2). The value of an individual aircraft~~
10 ~~assessed to the original owner of that aircraft shall not exceed its~~
11 ~~original cost from the manufacturer. The preallocated fair market~~
12 ~~value of an aircraft may be rebutted by evidence including, but~~
13 ~~not limited to, appraisals, invoices, and expert testimony.~~
14 ~~(1) (A) The original cost for the aircraft, which shall be~~
15 ~~determined as follows and adjusted, as applicable, under~~
16 ~~subparagraphs (B), (C), and (D):~~
17 ~~(i) For owned and leased aircraft, the taxpayer’s or lessor’s~~
18 ~~acquisition cost for that individual aircraft reported in accordance~~
19 ~~with generally accepted accounting principles, and to the extent~~
20 ~~not included in the acquisition cost, transportation costs and~~
21 ~~capitalized interest and the cost of improvements made before a~~

1 transaction described in clause (ii). If the original cost for leased
2 aircraft cannot be determined from information reasonably
3 available to the taxpayer, original cost may be determined by
4 reference to the “average new prices” column of the Airliner Price
5 Guide for that model, series, and year of manufacture of aircraft.
6 If information is not available in the “average new prices” column
7 for that model, series, and year, the original cost may be determined
8 using the best indicator of original cost plus all conversion costs
9 and improvement costs incurred for that aircraft.

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

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

24 (B) (i) For mainline jets and production freighters, the original
25 cost described in subparagraph (A), plus the cost of any
26 improvements not otherwise included in the original cost, shall be
27 adjusted from the date of the acquisition of the aircraft to the lien
28 date using the monthly United States Department of Labor
29 Producer Price Index for aircraft and a 20-year straight-line
30 percent-good table starting from the delivery date of the aircraft
31 to the current owner or, in the case of a sale/leaseback or
32 assignment of purchase rights transaction, as described in this
33 section, the current operator with a minimum combined factor of
34 25 percent.

35 (ii) For regional aircraft, the original cost described in
36 subparagraph (A), plus the cost of any improvements not otherwise
37 included in the original cost, shall be adjusted from the date of the
38 acquisition of the aircraft to the lien date using the monthly United
39 States Department of Labor Producer Price Index for aircraft and
40 a 16-year straight-line percent-good table starting from the delivery

1 ~~date of the aircraft to the current owner or, in the case of a~~
2 ~~sale/leaseback or assignment of purchase rights transaction, as~~
3 ~~described in this section, the current operator with a minimum~~
4 ~~combined factor of 25 percent.~~

5 ~~(iii) If original cost is determined by reference to the Airliner~~
6 ~~Price Guide “average new prices” column, the adjustments required~~
7 ~~by this paragraph shall be made by setting the acquisition date of~~
8 ~~the aircraft to be the date of the aircraft’s manufacture.~~

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

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

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

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

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

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

1 ~~(ic) Yield shall be weighted 30 percent.~~

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

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

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

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

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

38 ~~(H) The assessor shall reduce the adjusted original costs derived~~
39 ~~under subparagraph (B) by the percentage adjustment calculated~~
40 ~~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. Aeft. 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. Aeft. 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 2021–22 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. Aeft. 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. Aeft. 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. Aeft. 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).~~

~~(e) 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~~

1 parties do not agree on a guide or adjustment, the State Board of
2 Equalization shall determine the guide or adjustment.

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

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

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

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

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

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

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

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

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

30 ~~(B) Generally configured with fewer than 100 seats.~~

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

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

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

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

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

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

15 ~~(f) The amendments made by the act adding this subdivision~~
16 ~~shall apply with respect to lien dates occurring on and after January~~
17 ~~1, 2011.~~

18 ~~SECTION 1. Section 401.18 is added to the Revenue and~~
19 ~~Taxation Code, to read:~~

20 ~~401.18. (a) For the 2017–18 fiscal year to the 2021–22 fiscal~~
21 ~~year, inclusive, it shall be rebuttably presumed that the~~
22 ~~preallocated fair market value of each make, model, and series of~~
23 ~~mainline jets, production freighters, and regional aircraft that has~~
24 ~~attained situs within this state is the lesser of the sum total of the~~
25 ~~amounts determined under paragraph (1) or the sum total of the~~
26 ~~amounts determined under paragraph (2). The value of an~~
27 ~~individual aircraft assessed to the original owner of that aircraft~~
28 ~~shall not exceed its original cost from the manufacturer. The~~
29 ~~preallocated fair market value of an aircraft may be rebutted by~~
30 ~~evidence including, but not limited to, appraisals, invoices, and~~
31 ~~expert testimony.~~

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

35 ~~(i) For owned and leased aircraft, the taxpayer’s or lessor’s~~
36 ~~acquisition cost for that individual aircraft reported in accordance~~
37 ~~with generally accepted accounting principles, and to the extent~~
38 ~~not included in the acquisition cost, transportation costs and~~
39 ~~capitalized interest and the cost of improvements made before a~~
40 ~~transaction described in clause (ii). If the original cost for leased~~

1 aircraft cannot be determined from information reasonably
2 available to the taxpayer, original cost may be determined by
3 reference to the “average new prices” column of the Airliner Price
4 Guide for that model, series, and year of manufacture of aircraft.
5 If information is not available in the “average new prices” column
6 for that model, series, and year, the original cost may be
7 determined using the best indicator of original cost plus all
8 conversion costs and improvement costs incurred for that aircraft.

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

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

23 (B) (i) For mainline jets and production freighters, the original
24 cost described in subparagraph (A), plus the cost of any
25 improvements not otherwise included in the original cost, shall be
26 adjusted from the date of the acquisition of the aircraft to the lien
27 date using the monthly United States Department of Labor
28 Producer Price Index for aircraft and a 20-year straight-line
29 percent-good table starting from the delivery date of the aircraft
30 to the current owner or, in the case of a sale/leaseback or
31 assignment of purchase rights transaction, as described in this
32 section, the current operator with a minimum combined factor of
33 25 percent.

34 (ii) For regional aircraft, the original cost described in
35 subparagraph (A), plus the cost of any improvements not otherwise
36 included in the original cost, shall be adjusted from the date of
37 the acquisition of the aircraft to the lien date using the monthly
38 United States Department of Labor Producer Price Index for
39 aircraft and a 16-year straight-line percent-good table starting
40 from the delivery date of the aircraft to the current owner or, in

1 *the case of a sale/leaseback or assignment of purchase rights*
2 *transaction, as described in this section, the current operator with*
3 *a minimum combined factor of 25 percent.*

4 *(iii) If original cost is determined by reference to the Airliner*
5 *Price Guide “average new prices” column, the adjustments*
6 *required by this paragraph shall be made by setting the acquisition*
7 *date of the aircraft to be the date of the aircraft’s manufacture.*

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

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

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

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

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

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

1 (ac) Yield shall be weighted 30 percent.

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

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

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

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

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

38 (II) The assessor shall reduce the adjusted original costs derived
39 under subparagraph (B) by the percentage adjustment calculated
40 in subclause (I), but only if the final economic obsolescence

1 *determined under that subclause exceeds 10 percent, otherwise*
2 *no economic obsolescence allowance shall be provided.*

3 (2) (A) *Except as otherwise provided in subparagraph (B), for*
4 *each individual mainline jet, production freighter, or regional*
5 *aircraft, the assessor shall identify the value referenced in the*
6 *“Used Price of Avg. Acft. Wholesale” column of the Winter edition*
7 *of the Airliner Price Guide by make, model, series, and year of*
8 *manufacture.*

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

18 (b) *For the 2017–18 fiscal year to the 2021–22 fiscal year,*
19 *inclusive, it shall be rebuttably presumed that the preallocated*
20 *fair market value for each make, model, and series of converted*
21 *freighters that has attained situs within this state is the amount*
22 *that is determined as follows:*

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

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

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

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

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

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

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

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

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

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

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

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

1 the State Board of Equalization shall determine the guide or
2 adjustment.

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

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

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

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

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

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

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

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

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

30 (B) Generally configured with fewer than 100 seats.

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

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

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

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

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

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

15 SEC. 2. Section 441 of the Revenue and Taxation Code is
16 amended to read:

17 441. (a) Each person owning taxable personal property, other
18 than a manufactured home subject to Part 13 (commencing with
19 Section 5800), having an aggregate cost of one hundred thousand
20 dollars (\$100,000) or more for any assessment year shall file a
21 signed property statement with the assessor. Every person owning
22 personal property that does not require the filing of a property
23 statement or real property shall, upon request of the assessor, file
24 a signed property statement. Failure of the assessor to request or
25 secure the property statement does not render any assessment
26 invalid.

27 (b) The property statement shall be declared to be true under
28 the penalty of perjury and filed annually with the assessor between
29 the lien date and 5 p.m. on April 1. The penalty provided by Section
30 463 applies for property statements not filed by May 7. If May 7
31 falls on a Saturday, Sunday, or legal holiday, a property statement
32 that is mailed and postmarked on the next business day shall be
33 deemed to have been filed between the lien date and 5 p.m. on
34 May 7. If, on the dates specified in this subdivision, the county’s
35 offices are closed for the entire day, that day is considered a legal
36 holiday for purposes of this section.

37 (c) The property statement may be filed with the assessor
38 through the United States mail, properly addressed with postage
39 prepaid. For purposes of determining the date upon which the
40 property statement is deemed filed with the assessor, the date of

1 postmark as affixed by the United States Postal Service, or the
2 date certified by a bona fide private courier service on the envelope
3 containing the application, shall control. This subdivision shall be
4 applicable to every taxing agency, including, but not limited to, a
5 chartered city and county, or chartered city.

6 (d) (1) At any time, as required by the assessor for assessment
7 purposes, every person shall make available for examination
8 information or records regarding his or her property or any other
9 personal property located on premises he or she owns or controls.
10 In this connection details of property acquisition transactions,
11 construction and development costs, rental income, and other data
12 relevant to the determination of an estimate of value are to be
13 considered as information essential to the proper discharge of the
14 assessor's duties.

15 (2) (A) This subdivision shall also apply to an owner-builder
16 or an owner-developer of new construction that is sold to a third
17 party, is constructed on behalf of a third party, or is constructed
18 for the purpose of selling that property to a third party.

19 (B) The owner-builder or owner-developer of new construction
20 described in subparagraph (A), shall, within 45 days of receipt of
21 a written request by the assessor for information or records, provide
22 the assessor with all information and records regarding that
23 property. The information and records provided to the assessor
24 shall include the total consideration provided either by the
25 purchaser or on behalf of the purchaser that was paid or provided
26 either, as part of or outside of the purchase agreement, including,
27 but not limited to, consideration paid or provided for the purchase
28 or acquisition of upgrades, additions, or for any other additional
29 or supplemental work performed or arranged for by the
30 owner-builder or owner-developer on behalf of the purchaser.

31 (e) In the case of a corporate owner of property, the property
32 statement shall be signed either by an officer of the corporation or
33 an employee or agent who has been designated in writing by the
34 board of directors to sign the statements on behalf of the
35 corporation.

36 (f) In the case of property owned by a bank or other financial
37 institution and leased to an entity other than a bank or other
38 financial institution, the property statement shall be submitted by
39 the owner bank or other financial institution.

1 (g) The assessor may refuse to accept any property statement
2 he or she determines to be in error.

3 (h) If a taxpayer fails to provide information to the assessor
4 pursuant to subdivision (d) and introduces any requested materials
5 or information at any assessment appeals board hearing, the
6 assessor may request and shall be granted a continuance for a
7 reasonable period of time. The continuance shall extend the
8 two-year period specified in subdivision (c) of Section 1604 for a
9 period of time equal to the period of the continuance.

10 (i) Notwithstanding any other provision of law, every person
11 required to file a property statement pursuant to this section shall
12 be permitted to amend that property statement until May 31 of the
13 year in which the property statement is due, for errors and
14 omissions not the result of willful intent to erroneously report. The
15 penalty authorized by Section 463 does not apply to an amended
16 statement received prior to May 31, provided the original statement
17 is not subject to penalty pursuant to subdivision (b). The amended
18 property statement shall otherwise conform to the requirements
19 of a property statement as provided in this article.

20 (j) This subdivision shall apply to the oil, gas, and mineral
21 extraction industry only. Any information that is necessary to file
22 a true, correct, and complete statement shall be made available by
23 the assessor, upon request, to the taxpayer by mail or at the office
24 of the assessor by February 28. For each business day beyond
25 February 28 that the information is unavailable, the filing deadline
26 in subdivision (b) shall be extended in that county by one business
27 day, for those statements affected by the delay. In no case shall
28 the filing deadline be extended beyond June 1 or the first business
29 day thereafter.

30 (k) The assessor may accept the filing of a property statement
31 by the use of electronic media. In lieu of the signature required by
32 subdivision (a) and the declaration under penalty of perjury
33 required by subdivision (b), property statements filed using
34 electronic media shall be authenticated pursuant to methods
35 specified by the assessor and approved by the board. Electronic
36 media includes, but is not limited to, computer modem, magnetic
37 media, optical disk, and facsimile machine.

38 (l) (1) After receiving the notice required by Section 1162, the
39 manager in control of a fleet of fractionally owned aircraft shall
40 file with the lead county assessor's office one signed property

1 statement for all of its aircraft that have acquired situs in the state,
2 as described in Section 1161.

3 (2) Flight data required to compute fractionally owned aircraft
4 allocation under Section 1161 shall be segregated by airport.

5 (m) (1) After receiving the notice required by paragraph (5) of
6 subdivision (b) of Section 1153.5, a commercial air carrier whose
7 certificated aircraft is subject to Article 6 (commencing with
8 Section 1150) of Chapter 5 shall file with the lead county assessor's
9 office designated under Section 1153.5 one signed property
10 statement for its personal property at all airport locations and
11 fixtures at all airport locations.

12 (2) Each commercial air carrier may file one schedule for all of
13 its certificated aircraft that have acquired situs in this state under
14 Section 1151.

15 (3) Flight data required to compute certificated aircraft allocation
16 under Section 1152 and subdivision (g) of Section 202 of Title 18
17 of the California Code of Regulations shall be segregated by airport
18 location.

19 (4) Beginning with the 2006 assessment year, a commercial air
20 carrier may file a statement described in this subdivision
21 electronically by means of the California Assessor's Standard Data
22 Record (SDR) network. If the SDR is not equipped to accept
23 electronic filings for the 2006 assessment year, an air carrier may
24 file a printed version of its property statement for that year with
25 its lead county assessor's office.

26 (5) This subdivision shall remain operative only until December
27 31, 2021.

28 SEC. 3. Section 1153.5 of the Revenue and Taxation Code is
29 amended to read:

30 1153.5. (a) The Aircraft Advisory Subcommittee of the
31 California Assessors' Association shall, after soliciting input from
32 commercial air carriers operating in the state, do both of the
33 following:

34 (1) On or before March 1, 2006, and on or before each March
35 1 thereafter, designate a lead county assessor's office for each
36 commercial air carrier operating certificated aircraft in this state
37 in that assessment year.

38 (2) Every third year thereafter, redesignate a lead county
39 assessor's office for each of these air carriers, unless an air carrier

1 and its existing lead county assessor's office concur to waive this
2 redesignation.

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

5 (1) Calculate, pursuant to Section ~~401.17~~, *401.18*, an unallocated
6 value of the certificated aircraft of each commercial air carrier to
7 which he or she is designated.

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

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

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

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

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

30 (2) The lead county assessor's office is subject to Section 322
31 of Title 18 of the California Code of Regulations and Sections
32 408, 451, and 1606 to the same extent as the assessor described in
33 paragraph (1).

34 (d) Notwithstanding Section 469, an audit of a commercial air
35 carrier shall be conducted once every four years on a centralized
36 basis by an audit team of auditor-appraisers from at least one, but
37 not more than three, counties, as determined by the Aircraft
38 Advisory Subcommittee of the California Assessors' Association.
39 An audit, so conducted, shall encompass all of the California
40 Personal Property and fixtures of the air carrier and is deemed to

1 be made on behalf of each county for which an audit would
2 otherwise be required under Section 469.

3 (e) This section shall remain in effect only until December 31,
4 2021, and as of that date is repealed.

5 *SEC. 4. Section 5149 of the Revenue and Taxation Code is*
6 *amended to read:*

7 5149. (a) All courts wherein actions brought under this part
8 (with the exclusion of actions brought under Section ~~5148~~) 5148
9 or actions for refund of locally-assessed property taxes valued
10 under Section 1153.5 or a successor section) are or hereafter may
11 be pending shall give those actions precedence over all other civil
12 actions therein, except actions to which special precedence is given
13 by law, in the matter of setting same for hearing or trial, and in
14 hearing the same, to the end that all those actions shall be quickly
15 heard and determined.

16 (b) *This section shall remain in effect only until January 1, 2022,*
17 *and as of that date is repealed.*

18 *SEC. 5. Section 5149 is added to the Revenue and Taxation*
19 *Code, to read:*

20 5149. (a) All courts wherein actions brought under this part
21 (with the exclusion of actions brought under Section 5148) are or
22 hereafter may be pending shall give those actions precedence over
23 all other civil actions therein, except actions to which special
24 precedence is given by law, in the matter of setting same for
25 hearing or trial, and in hearing the same, to the end that all those
26 actions shall be quickly heard and determined.

27 (b) *This section shall become operative on January 1, 2022.*

28 ~~SEC. 4.~~

29 *SEC. 6. Section 5170 of the Revenue and Taxation Code is*
30 *amended to read:*

31 5170. (a) In suits for the refund of state-assessed property
32 ~~taxes and taxes, or suits for the refund of~~ locally assessed property
33 taxes on property valued under Section 1153.5 or a successor
34 ~~section; section that are filed on or after January 1, 2017,~~ the trial
35 court shall not be restricted to the administrative record, but shall
36 consider all evidence relating to the valuation of the property
37 admissible under the rules of evidence. The court shall base its
38 decision upon the preponderance of the evidence before it.

39 (b) This section shall remain in effect only until January 1, 2022,
40 and as of that date is repealed.

~~SEC. 5.~~

SEC. 7. Section 5170 is added to the Revenue and Taxation Code, to read:

5170. (a) In suits for the refund of state-assessed property taxes, the trial court shall not be restricted to the administrative record, but shall consider all evidence relating to the valuation of the property admissible under the rules of evidence. The court shall base its decision upon the preponderance of the evidence before it.

(b) This section shall become operative on January 1, 2022.

~~SEC. 6.~~

SEC. 8. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.