

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.