

§ 25137-7. Air Transportation Companies--Allocation and Apportionment of Income.

Currentness

(a) Definitions.

(1) The unitary business of air transportation includes the operations of scheduled airlines, supplemental airlines and air taxis. All members of a unitary group that are engaged in a unitary business of providing air transportation must apportion business income from air transportation as provided in this regulation.

(2) As used in this regulation, "certificated aircraft" means aircraft operated by an air carrier or foreign air carrier engaged in air transportation, as defined in subsections (3), (5), (10), (11), (14), (15), (22), (23), (24), (25) and (26) of 49 USC 1301, while there is in force a certificate or permit issued by the Civil Aeronautics Board of the United States, the Department of Transportation or its successor, or a certificate or permit issued by the California Public Utilities Commission, or its successor, authorizing such air carrier to engage in such transportation.

(3) As used in this regulation, "air taxis" means aircraft used by an air carrier which does not utilize aircraft whose maximum certificated takeoff weight as determined by the Federal Aviation Administration, is greater than 12,500 pounds in air transportation and which does not hold a certificate of public convenience and necessity or other economic authority issued by the Civil Aeronautics Board of the United States, the Department of Transportation, or its successor, or by the California Public Utilities Commission, or its successor.

(4) "The time in state" 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.

(5) "Arrivals and departures" is the 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 both within this state and elsewhere in the representative period.

(6) "Ton-miles" means the product of a plane's tonnage and the miles traveled.

(7) "Flight personnel" means the air crew aboard an aircraft assisting in the operation of the aircraft or the welfare of passengers while in the air.

(8) "Rotables" means components or parts which are rotated between storage and operational use on aircraft.

(9) "Air time" is the elapsed time from when an aircraft, after blocks are removed from the aircraft wheels, first moves under its own power from the boarding ramp for the purposes of flight, to the time the aircraft comes to a rest after landing and blocks are placed on the aircraft wheels.

(b) Apportionment of Business Income. The property, payroll and sales factors of the apportionment formula for air transportation companies shall be computed pursuant to Sections 25128 through 25137 of the Revenue and Taxation Code and the regulations adopted pursuant thereto except as provided in this regulation.

(1) Property Factor.

(A) In General.

(i) The use of the taxpayer's owned or rented aircraft in an exchange program with another air carrier shall not constitute a rental or subrental, whichever the case may be, of such aircraft by the airline to the other participating airline. Such aircraft shall be accounted for in the property factor of the taxpayer.

(ii) Rotables, parts, and other expendables, including parts for use in contract overhaul work, shall be valued at cost.

(B) Numerator. The value of aircraft assigned to this state shall be determined pursuant to Section 25101.3, Revenue and Taxation Code.

(2) Payroll Factor--Numerator. In determining the numerator of the payroll factor, compensation paid to flight personnel shall be attributed to this state based upon the ratio that air and ground time spent in performing services in this state bears to the total air and ground time spent in performing services everywhere by model of aircraft. Air time (block to block) by model of aircraft determined for the income year shall be used in computing flight personnel compensation attributable to this state. Ground time of flight personnel shall include the time required by such personnel to perform preflight and postflight activities pursuant to current employer-employee union contracts and includes time on the ground at intermediate stops on scheduled and nonscheduled flights for loading or unloading of passengers, freight, mail or other nonemergency purposes. Air and ground time of flight personnel utilized for training purposes to maintain proficiency shall also be included for purposes of the payroll factor.

(3) Sales Factor--Numerator.

(A) In determining the numerator of the revenue factor, revenue from hauling passengers, freight, mail and excess baggage shall be attributed to this state based upon:

- (i) the ratio which the air time of the taxpayer's aircraft spent in this state bears to the total air time (block to block) of such aircraft everywhere, by model of aircraft as defined in subsection (e), weighted at 80 percent; and
- (ii) the ratio of arrivals and departures in this state to total arrivals and departures everywhere by model of aircraft weighted at 20 percent. Air time and arrivals and departures (excluding time and arrivals and departures for flight training purposes) by model of aircraft as defined in subsection (e), shall be used in computing revenue attributable to this state derived from hauling passengers, freight, mail, and excess baggage.

(B) If records of actual revenue by model of aircraft are not maintained, the total revenue shall be divided into passenger and freight (which shall include express, excess baggage and mail) revenue and allocated to aircraft model on the ratio of the revenue passenger ton-miles and revenue freight (which shall include express, excess baggage and mail) ton-miles of such model, respectively. Expressed as a formula the computation for each model of aircraft is:

Revenue Passenger Ton-		Total Passenger		Passenger
Miles by Model	x	Revenue	=	Revenue
Total Revenue Passenger				by type
Ton-Miles All Models				
Revenue Freight Ton		Total Freight		Freight
Miles by Model	x	Revenue	=	Revenue
Total Revenue Freight				by Model
Ton-Miles All Models				

(c) Computation of Time Factor and Arrivals and Departures Factor.

(1) The property and revenue factors of the apportionment formula are based upon a time factor and an arrivals and departures factor. The payroll factor for flight personnel is based solely upon time. The statistics to be used in computing the time and arrivals and departures factors shall be the annual statistics of the taxpayer or statistics for representative periods.

(2) Annual statistics for the taxpayer's income year, if available, shall be used in determining the property, payroll and revenue factors of the apportionment formula. All other rules prescribed for property tax purposes for determining air and ground time and arrivals and departures shall be applicable except as otherwise provided.

(3) If annual statistics are not available, statistics for representative periods shall be used provided that permission to do so has been granted to the taxpayer by the Franchise Tax Board. In the event annual statistics are subsequently maintained on a regular basis, the taxpayer shall use such annual statistics in lieu of statistics from representative periods.

(d) Representative Period.

(1) In General.

(A) The representative periods to be used in computing the property, payroll and revenue factors shall consist of the representative periods designated by the State Board of Equalization for the current property tax assessment year and the immediately preceding or succeeding property tax assessment year, as provided for herein, unless the Franchise Tax Board determines that alternative periods should be designated as representative periods in order to fairly reflect the taxpayer's activities within California.

(B) The statistical data developed for representative periods designated by the State Board of Equalization for property tax purposes shall be used in computing the percentage of the time factor and the arrivals and departures factor. The time factor and arrivals and departures factor shall be computed separately for each model of aircraft enumerated in subsection (b).

(C) The term "current property tax assessment year" shall be the property tax assessment year for which the State Board of Equalization designates the representative period which falls within the taxpayer's current income year for California franchise tax purposes. In the case of a taxable year ending on February 28, it shall be the property tax assessment year for which the State Board of Equalization designates the representative period, the major part of which falls within the taxpayer's current income year for California franchise tax purposes. For example, if the State Board of Equalization designates February 23 through March 1 of the current calendar year as the representative period for the next property tax assessment year (beginning July 1, next), the "current property tax assessment year" shall be the property tax assessment year beginning July 1, next with respect to the income year ended February 28 of the current calendar year.

(2) Time Factor.

(A) Scheduled Carriers, Scheduled and Nonscheduled Air Taxes.

- (i) Scheduled Operations, Scheduled Carriers, Scheduled and Nonscheduled Air Taxes.

(I) The representative period shall consist of the representative periods designated by the State Board of Equalization for (1) the current property tax assessment year and (2) the succeeding property tax assessment year unless the taxpayer's income year for California franchise tax purposes ends on or after February 28.

(II) If the taxpayer's fiscal year for California franchise tax purposes ends on or after February 28, the representative period shall consist of the representative periods designated by the State Board of Equalization for (1) the current property tax assessment year and (2) the preceding property tax assessment year.

(ii) Nonscheduled Operations, Scheduled Carriers and Scheduled Air Taxis.

(I) The representative period shall consist of the representative periods designated by the State Board of Equalization for (1) the current property tax assessment year and (2) the preceding property tax assessment year unless the taxpayer's income year for California franchise tax purposes ends on or after July 31.

(II) Taxpayers whose taxable year ends on or after July 31 should contact the Franchise Tax Board for instructions as to the representative period to be used.

(B) Supplemental Carriers. The representative period shall be the same as stated in subsection (d)(2)(A)(ii).

(3) Arrivals and Departures Factor.

(A) Scheduled Carriers, Scheduled and Nonscheduled Air Taxis.

(i) Carriers Reporting Departures to Civil Aeronautics Board or Department of Transportation.

(I) The representative period shall consist of the representative period designated by the State Board of Equalization for (1) the current property tax assessment year and (2) the succeeding property tax assessment year unless the taxpayer's current income year ends on or after February 28.

(II) In the case of taxpayers whose income year ends on or after February 28, the representative period shall consist of the representative period designated by the State Board of Equalization for (1) the current property tax assessment year, and (2) the preceding property tax assessment year.

(ii) Air Taxis Not Reporting Departures to Civil Aeronautics Board or Department of Transportation.

(I) The representative period for scheduled operations of air taxis and operations of nonscheduled air taxis will be the same as stated in subsection (d)(2)(A)(i).

(II) The representative period for nonscheduled operations of scheduled air taxis will be the same as stated in subsection (d)(2)(A)(ii).

(B) Supplemental Carriers.

(i) Carriers Reporting Departures to Civil Aeronautics Board or Department of Transportation. The representative period shall be the same as stated in subsection (d)(3)(A)(i).

(ii) Carriers Not Reporting Departures to Civil Aeronautics Board or Department of Transportation. The representative period shall be the same as stated in subsection (d)(2)(A)(ii).

(e) A "model" of aircraft is defined as all aircraft that can be assigned to a group utilizing the following rules:

(1) All aircraft are grouped with other aircraft of the same manufacturer model, as determined by the manufacturer's designation system.

(2) If a taxpayer operates more than one series of an aircraft model, all series of that aircraft model are assigned to a single model group based on the aircraft manufacturer's designation system.

(3) If a taxpayer operates an aircraft that is part of an aircraft model series or version that is designated by the aircraft manufacturer for freight transportation, this aircraft is assigned to a model group separate from the group of aircraft of the same model that the aircraft manufacturer designates for passenger transportation.

(4) If a taxpayer operates an aircraft that can be configured either for freight transportation or passenger transportation, the aircraft is assigned to a group based on the aircraft model and the aircraft configuration.

Examples of Aircraft Model Groupings for Illustrative Purposes:

1. Boeing 737 model grouping includes series 737-300, 737-500 and 737-700.

2. Boeing 767 model grouping includes series 767-300 and 767-300ER.

3. Cessna 208 model grouping includes series Cessna 208A and Cessna 208B.

4. The Airbus S.A.S. aircraft designation system assigns aircraft models by families. The A310 family includes models A300 and A310. The A320 family includes models A318, A319, A320 and A321.
5. Airbus A300F4-600R, a freight aircraft, is assigned to a separate group from Airbus A300-600, a passenger aircraft.
6. Boeing MD-11F, a freight aircraft, is assigned to a separate group from Boeing MD-11, a passenger or freight aircraft, if the Boeing MD-11 is configured as a passenger aircraft. The Boeing MD-11F and Boeing MD-11 are assigned to the same model group if the Boeing MD-11 is configured for freight transportation.

(f) For taxable years beginning on or after January 1, 2013, pursuant to Section 25128.7, Revenue and Taxation Code, only the receipts factor references in this regulation are applicable, unless subdivision (b) of Section 25128, Revenue and Taxation Code, applies.

Credits

NOTE: Authority cited: Section 19503, Revenue and Taxation Code. Reference: Sections 25101.3 and 25137, Revenue and Taxation Code.

HISTORY

1. Editorial correction renumbering and amending former Section 25137(n) to Section 25137-7 filed 3-27-85; effective upon filing pursuant to Government Code Section 11346.2(d) (Register 85, No. 13). For prior history, see Registers 82, No. 46 and 82, No. 28.
2. Amendment of subsection (a)(1), new subsection (a)(9), amendment of subsections (b)(2), (b)(3)(A)(i)-(b)(3)(B), (d)(1)(B)-(C) and (e), repealer of subsections (e)(1)-(e)(4)(F), new subsections (e)(1)-(4) and amendment of NOTE filed 3-18-2010; operative 4-19-2010 (Register 2010, No. 12).
3. Change without regulatory effect adding subsection (f) filed 12-9-2013 pursuant to section 100, title 1, California Code of Regulations (Register 2013, No. 50).

This database is current through 3/20/26 Register 2026, No. 12.

Cal. Admin. Code tit. 18, § 25137-7, 18 CA ADC § 25137-7