



FRANCHISE TAX BOARD

SACRAMENTO, CALIFORNIA 95867

(916) 355-0982

Airline Reg

October 22, 1982

Eugene F. Corrigan
Executive Director
Multistate Tax Commission
1790 - 30th Street
Boulder, CO 80301

Dear Gene:

We have reviewed the Proposed Airline Regulation dated July 22, 1982, and herewith submit our comments with respect to the proposed regulation.

California has specific statutory provisions (Section 25101.3, Cal. Rev. & Tax. Code) which dictate our method of apportioning the income of airlines. Therefore, without statutory amendment, we would not be able to follow the proposed regulation. However, we strongly endorse the position taken in the regulation that there should be full accountability; i.e., all income should be assigned to a jurisdiction with which the airline has taxable nexus.

We believe there are two items in the regulation which may deserve further consideration. First, with respect to the payroll factor, we do not see any particular relevance of the "cost and value of aircraft by type" in weighting a departure factor. The relevant comparison for payroll purposes should involve average compensation paid to a flight crew by type of aircraft. Second, we believe the same question should be asked with respect to the receipts factor. It may be appropriate to take into account the nature or type of aircraft departing from a state to properly reflect its seating or cargo capacity, but this does not mean that the cost or value of the aircraft should be included in the computation. Attached is suggested language which will accomplish these changes.

Eugene F. Corrigan

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We do not know at this time whether we will have anyone attend the hearing on the regulation, but please notify us of the hearing site in the event we are able to attend.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerald H. Goldberg".

Gerald H. Goldberg
Executive Officer

Attachment

SUGGESTED CHANGES

PROPOSED AIRLINE REGULATION

Payroll Factor

With respect to flight personnel (the air crew aboard an aircraft assisting in the operation of the aircraft or the welfare of passengers while in the air), compensation paid to such employees shall be included in the ratio that departures of aircraft from locations in this state, weighted as to the average crew cost and value of aircraft by type of aircraft compared to total departures similarly weighted, multiplied by the total flight personnel compensation.

Receipts Factor

The ratio of departures of aircraft in this state weighted as to seating or cargo capacity by type of aircraft, the cost and value of aircraft by type, as compared to total departures similarly weighted, multiplied by either transportation revenue by type or by the total transportation revenue. The product of this calculation is to be added to any non-flight revenues directly attributable to this state.

Multistate Tax Commission



EUGENE F. CORRIGAN, Executive Director

Airline Reg

October 25, 1982

Gerald H. Goldberg
Executive Officer
Franchise Tax Board
PO Box 115
Rancho Cordova CA 95670

Re: Airline Regulation

Dear Gerry:

Thank you for your letter.

During our consultations with the Air Transport Association, we checked into the potential effect of taking the approach which you suggest. We were assured that it would accomplish two things:

- 1) It would complicate the calculations substantially; and
- 2) It would produce substantially the same result.

We concluded that the proposal in its present form was preferable to alternative approaches.

Sincerely,

A handwritten signature in black ink, appearing to read "EFC", written over the typed name.

Eugene F. Corrigan
Executive Director

EFC/gh