



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** July 2, 2014  
**Board Meeting Date:** August 5, 2014  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** John L. Maltbie, County Manager

**Subject:** Airlines' Claims for Refund of 2009 Property Taxes

**RECOMMENDATION:**

Deny the claims for refund of 2009 property taxes by United Airlines, American Airlines, Southwest Airlines, SkyWest Airlines, AirTran Airways, and JetBlue Airways.

**BACKGROUND:**

The Airlines are companies doing business within the County (primarily at San Francisco International Airport) and each is subject to assessment by the County Assessor. As part of the assessment, the Assessor determines the value of the Airlines' personal property, including their commercial aircraft. The assessment is based, in part, on a settlement agreement among the Airlines and counties, and is codified at California Revenue and Taxation Code § 401.17, which determines where aircraft are located for assessment purposes and how to value specific models of aircraft.

The Airlines have separately filed claims for a partial refund of their 2009 property taxes. The basis for each claim is essentially the same – the Airlines allege that the Assessor misapplied the statutory formula for assessing commercial aircraft and therefore overvalued them. The Airlines claim refund amounts based on the number of assessed aircraft subject to Revenue and Taxation Code § 401.17 and the time the aircraft spend in this jurisdiction (some of the Airlines have multiple claims):

| <b>Airline</b> | <b>Amount of Claim</b> |
|----------------|------------------------|
| AirTran        | \$ 25,314.34           |
| American       | \$ 192,313.21          |
| American       | \$ 438,381.94          |
| JetBlue        | \$ 197,485.75          |
| SkyWest        | \$ 378,109.27          |
| Southwest      | \$ 669,372.29          |
| United         | \$ 500,939.97          |

|        |    |              |
|--------|----|--------------|
| United | \$ | 546,416.16   |
| United | \$ | 4,344,121.82 |
| Total  | \$ | 7,292,454.75 |

**DISCUSSION:**

Taxpayers must exhaust administrative remedies before filing claims with the Board of Supervisors for property tax refunds. To exhaust their administrative remedies, the Airlines must first file an application with the County Assessment Appeals Board, which routinely makes findings of fact and law as to the assessment of both real and personal property. There is no evidence that any of the Airlines filed an assessment appeal application for the relevant time period. For this reason alone, the Board should deny the Airlines' claims.

In addition, at least one of the claims is barred by the statute of limitations. Claims for a refund of property tax must be made within four years from the date of payment sought to be refunded [Cal. Revenue & Taxation Code § 5097(a)(2)]. United did not file its claim for \$500,939.97 with this Board until August 12, 2013, whereas the tax it is seeking to be refunded appears to have been paid on August 11, 2009. Other claims may also be beyond the limitations period but it is not readily apparent on the face of the claims.

United Airlines has since filed a related lawsuits against San Mateo County and other counties in the Los Angeles and Sacramento County Superior Courts. United alleges that the counties erred in determining the value of its aircraft and that it is owed a refund of taxes paid. To the extent that United's claim for \$500,939.97 is part of its lawsuit, the four year statute of limitations discussed above would apply.

Denying the tax refund claim will contribute to the Shared Vision 2025 outcome of Collaborative Community by supporting fiscal accountability.

**FISCAL IMPACT:**

The total amount of refund claimed by the Airlines is \$7,292,454.75. If the Airlines prevail on their claims in Superior Court, the fiscal impact will be the refunded amount plus applicable interest.