

Business Tax Administrative Rule 610.93-8A

610.93-8A – Apportionment for Passenger Carriers (LIC-6.18)

The percentage of net income apportioned to the City or County for air and ground passenger transportation (airline, bus, and rail) who do business within the City or County may be determined using either of the following methods:

a. Departure Method. The following formula applies for this method:

$$\# \text{ Local Departures} / \# \text{ Departures Everywhere} = \text{Apportionment \%}$$

In the airline industry, different types of aircraft differentiate revenues (as with jumbo jets versus smaller planes). Airlines may determine apportionable revenues in the following manner:

$$\begin{aligned} & \text{Type 1 plane gross revenues} \times \% \text{ of local departures of Type 1 planes} + \\ & \text{Type 2 plane gross revenues} \times \% \text{ of local departures of Type 2 planes, etc.} \end{aligned}$$

Example: Airline ZED has 100 departures locally during the year. Airline ZED has 5,000 departures during the year everywhere. This equates to an apportionment of 2%. However, Airline ZED receives a large portion of its income from flying jumbo jets out of Los Angeles and Seattle. Airline ZED has 2,000 departures everywhere which represent jumbo jets--only 10 of these jumbo jet departures are local departures. Therefore, Airline ZED may make the following apportionment determination:

-	Jumbo Jet	Regular Jet	Total
Everywhere Departures	2000	3000	5000
Local Departures	10	90	100
Local Percentage	.5% (1/2 of 1%)	3%	2 % (average)
Gross Revenues	10,000,000	5,000,000	15,000,000
Local Revenues	50,000	150,000	200,000

$200,000/15,000,000 = \text{Redetermined Apportionment: } 1.3333\%$

b. Ticket Sales Method. Gross ticket sales sold for departures from City or County (including station sales, ticket agent sales, internet sales, etc.) is included in the numerator of the apportionment fraction as City or County income. Other City or County incomes from other activities must also be included in the numerator of the apportionment fraction. The denominator of the apportionment fraction is gross income everywhere. Gross income everywhere shall be defined as gross ticket sales everywhere plus all taxable incomes from all other activities.

Note: This rule sunsets 12/31/2022 and does not apply to tax years beginning on or after 1/1/2023. See 611.23-2 (LIC 6.28) for later tax years.

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Date

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