The 1% Tax That Comes Back Every Year: L.A. County Joins the Private-Jet Enforcement Push

By Sandra Brown and Philipp Behrendt

Private aircraft have been on the tax authorities' radar for some time. Now, quite literally, the radar may be doing the auditing.

The *Los Angeles Times* reported this week that the Los Angeles County Assessor has sent hundreds of tax bills to private aircraft owners, including aircraft linked by a flight-tracking service to some of the country's best-known celebrities and business figures, for allegedly unpaid county property taxes. According to the report, the county expects its effort to produce approximately $38 million in additional revenue.

But this is more than another story about billionaires and private jets. It is the latest example of something tax practitioners are seeing with increasing frequency: high-value aircraft are becoming uniquely visible assets, and multiple taxing agencies are looking at the same aircraft for different reasons.

The IRS wants to know why the plane was flown.

The California Department of Tax and Fee Administration (CDTFA) wants to know how the plane was acquired and used after acquisition.

And now the Los Angeles County Assessor (Assessor) increasingly wants to know where the plane spent its nights, and what it was worth each year.

L.A. County Did Not Create a New Tax. It Found a New Way to Enforce an Old One.

California has long subjected general aviation aircraft to local property tax. What has changed is the Assessor's ability to identify aircraft that may have escaped assessment.

In March, the county announced that it had invested in aircraft-discovery software capable of analyzing multiple sources of aircraft-activity data. According to the county, the program identified nearly 1,000 previously unassessed aircraft, representing approximately $2.5 billion in prior-year escaped assessed value and another $1 billion in new assessments for 2026. The county projected approximately $38 million in additional property tax revenue.

The *Times* explains one important piece of the technological puzzle: **ADS-B Out data**. Aircraft transmit ADS-B information primarily for aviation-safety purposes, but those transmissions can also provide extraordinarily detailed information concerning aircraft location. According to the article, the Assessor has already analyzed data for 2022 and 2025 and continues to work on 2023 and 2024.

That changes the enforcement dynamic. Historically, the owner of an aircraft registered to an out-of-state LLC and kept inside a private hangar might have reasonably assumed that a county assessor would have difficulty discovering where the airplane was regularly h

angered. Today, the airplane itself may be creating a digital record of its location every time it moves.

Registration in Montana is not an invisibility cloak.

The Painful Word Is Not "1%." It Is "Annual."

The headlines naturally focus on a roughly 1% property tax. But for a high-value aircraft, the more important feature is that the tax is not a one-time transaction tax.

It comes back every year.

California's State Board of Equalization explains that general aviation aircraft are appraised annually at current market value as of the January 1 lien date. They are assessed at the tax situs where they are regularly or habitually situated.

That is vastly different from the familiar Proposition 13 regime applicable to California real property. There is no acquisition-value base that simply increases by a capped amount each year. An aircraft is personal property and is subject to annual appraisal at current market value.

Consider a $50 million aircraft. At a 1% rate, the basic arithmetic is approximately $500,000 of property tax every year, assuming the entire value is properly taxable by the County.

And then there is the possibility of prior years. California (Revenue and Taxation Code section 532) generally permits an assessor to make an escape assessment within four years after July 1 of the assessment year in which property escaped taxation or was underassessed, although longer periods can apply under specified circumstances involving nondisclosure or intentional evasion.

Thus, the real exposure is not necessarily "1%." It may be 1% × value × years, plus applicable penalties, and other amounts.

But Where Is a Jet Actually Taxable?

This is where the disputes are likely to become focused.

The *Times* describes aircraft as taxable where it is "habitually situated" when not in flight. That is a useful shorthand, but the actual situs analysis can become considerably more nuanced for an aircraft moving among different counties in California, other states, and foreign jurisdictions.

California Property Tax Rule 205 provides generally that an aircraft is situated at the airport where it is habitually located when not in flight. Where an aircraft spends substantial ground time at multiple California airports, the airport at which it spends the greatest amount of ground time generally determines its California county situs.

But interstate activity adds another layer. An aircraft may establish taxable situs both inside and outside California. In that situation, apportionment may be required rather than assigning 100% of the aircraft's value to California.

That distinction could be critical in the anticipated L.A. County appeal process. The right question is therefore not simply: "Was the aircraft ever at Van Nuys?" Nor is it necessarily: "Did it spend more time at Van Nuys than at any other individual airport?"

For an interstate aircraft, the analysis may require examining the entire operating pattern: where the aircraft was based, where it returned when not in service, the duration and regularity of its contacts with airports in California and other jurisdictions, whether another taxable situs was established, and whether some portion of the value must be apportioned outside California.

ADS-B data may be powerful evidence. But the data is only one aspect of how the Assessor will apply the law.

And Yes, There Is a Filing Obligation

The aircraft-property-tax system also contains a self-reporting component.

California's current BOE-577 Aircraft Property Statement asks for the FAA registration number, aircraft location, manufacturer and model, purchase price, date moved into the county, condition, usage, avionics, and other information. The form expressly states that the relevant section must be completed annually. Failure to file timely can result in a penalty.

That creates another issue for aircraft newly discovered by the county. The Assessor may not merely ask whether the underlying valuation is correct. It may also examine whether required property statements were filed for the affected years.

Owners receiving an escape assessment also need to watch the procedural clock. In dealing with the county, an appeal from an adjusted or escape assessment must generally be filed within 60 days of the applicable mailing or postmark date. California Revenue and Taxation Code § 1605(b)(2) and (c).

The IRS Was Already Looking at the Other End of the Flight

While the county focuses principally on where the aircraft is, the IRS has been focusing on what the aircraft is doing.

In February 2024, the IRS announced its Business Aircraft Campaign. The campaign remains listed among LB&I's active campaigns and targets aircraft usage by large corporations, large partnerships, and high-income taxpayers. Its stated areas of emphasis include qualified business use, personal use, and fringe-benefit inclusion, with issue-based examinations among the campaign's treatment streams.

As we previously discussed, here and here, when the campaign was announced, an aircraft ostensibly held for business use can generate several federal income-tax issues when shareholders, partners, executives or other individuals also use it personally. The consequences can include limitations on deductions, depreciation issues, and income inclusion for personal travel.

The evidentiary focus is familiar: flight histories, calendars, other contemporaneous records capable of establishing why a particular flight occurred, meetings, passenger information, and the reason for the flight are at the heart of the IRS's examination of this issue.

The county's new enforcement program adds another inquiry. A plane could therefore be sufficiently present in L.A. County to create property-tax exposure while simultaneously generating an IRS dispute about whether flights were business or personal.

Same aircraft. Same flight records. Entirely different tax questions.

Do Not Forget CDTFA

There is also California sales and use tax. Unlike the county's annual property tax, sales or use tax arises in connection with the purchase of an aircraft. CDTFA explains that use tax ordinarily applies when an aircraft is purchased for use in California without California sales tax being paid, for example, in certain purchases from out-of-state sellers or private parties.

An aircraft purchased outside California whose first functional use occurs in California is regarded as having been purchased for California use. The analysis becomes more complicated when the aircraft was both purchased and first functionally used outside California but later enters the state. California Revenue and Taxation Code section 6248 creates, subject to exceptions, a rebuttable presumption that an aircraft purchased outside California and brought into California within 12 months was purchased for California use in certain circumstances, including where the aircraft became subject to California property tax during the first 12 months of ownership.

In other words, a county property-tax determination can potentially become relevant evidence in a CDTFA use-tax examination.

For expensive aircraft, that one-time tax can obviously be substantial.

Aircraft transactions also involve specialized exemptions. Regulation 1593, for example, contains an exemption for aircraft used as common carriers. In determining qualification, the regulation generally examines the aircraft's use during the first twelve consecutive months beginning with its first operational use and requires more than half of that operational use to be qualifying common-carrier use. Flights are examined individually, and certain flights, including repositioning or "ferry" flights, do not count as qualifying common-carrier use.

The documentation requirements can consequently look remarkably familiar: flight logs, FAA records, maintenance records, charter revenue, and the purpose of individual flights. CDTFA's aircraft guidance specifically identifies extensive flight and operational records as supporting documentation for a common-carrier exemption.

That does not mean a county assessment automatically establishes a CDTFA liability. Rather, it means aircraft owners and their advisors should resist treating each tax agency as operating in a separate universe.

One Aircraft, Three Audits, One Set of Facts

This is the larger lesson.

For the IRS, the critical flight may be Los Angeles to Cabo because the examiner wants to know whether the passengers were traveling for business or pleasure.

For CDTFA, the important question may be whether that flight occurred during the first year after acquisition and how it fits into an exemption or California-use analysis.

For the Los Angeles County Assessor, Cabo may matter because the aircraft was not on the ground in Los Angeles during that period.

The same flight can therefore help with one tax issue and hurt on another.

Aircraft owners should be developing a unified factual record before responding piecemeal to different agencies. That record should reconcile the aircraft's actual flight history, ADS-B information, hangar and FBO records, maintenance locations, FAA registration, ownership and leasing structure, passenger and business-purpose records, charter activity, acquisition history, and valuation information. Just as importantly, positions taken before one agency should be reviewed by an experienced tax professional with an understanding of their consequences before another agency.

Welcome to Data-Driven Aircraft Enforcement

None of these taxes are new. What is new is visibility.

The IRS says it is using increased resources to pursue business-aircraft compliance. CDTFA already demands detailed operational documentation when aircraft owners claim sales-and-use-tax exemptions. And Los Angeles County has now spent hundreds of thousands of dollars on technology designed to identify aircraft that its traditional discovery methods missed.

The old enforcement model depended heavily on forms, registrations, hangar inspections, and taxpayers identifying themselves.

The new model can begin with a tail number and a flight track.

For private aircraft owners, this means the days of analyzing federal income tax, California sales and use tax, and county property tax as isolated compliance exercises are rapidly disappearing.

And when it comes to the newest participant, the Los Angeles County Assessor, the number to worry about may not be the 1% property-tax rate. It is the fact that the Assessor gets another shot at the airplane every January 1.

Sandra R. Brown *is a Principal of Hochman Salkin Toscher Perez P.C., where her practice focuses on criminal tax investigations, grand jury matters, litigation, and sentencing matters as well as representing and advising taxpayers involved in complex and sophisticated civil tax controversies, including sensitive-issue audits and administrative appeals and litigation. Ms. Brown's extensive experience and successes have included many notable cases including two U.S. Supreme Court decisions, numerous 9th Circuit rulings and numerous favorable administrative resolutions for taxpayers involved in IRS investigations and audits.*

Prior to joining the firm in 2018, Ms. Brown served as the Acting United States Attorney, First Assistant United States Attorney, and Chief of the Tax Division in the Office of the U.S. Attorney, Central District of California; where, with 27 years as a trial lawyer, she personally litigated over 2,000 tax cases on behalf of the United States.

Ms. Brown obtained her LL.M. in Taxation from the University of Denver, is a fellow of the American College of Tax Counsel, Vice-Chair of the ABA's Section of Taxation's Criminal and Civil Tax Penalties Committee, Co-Chair of the UCLA Tax Controversy Institute, Co-Chair of the ABA Criminal Tax Fraud and Tax Controversy Conference, an ABA Loretta Collins Argrett Fellowship Mentor, and is a frequent lecturer and author on tax controversy topics, including international compliance and criminal tax matters. Ms. Brown has been recognized as one of California's top 100 leading women lawyers, the recipient of USD School of Law's Richard Carpenter Excellence in Tax Award, Chambers High Net Worth in Tax and Tax Fraud, and an honoree of the inaugural Lawdragon 500 Leading Global Tax Lawyers. Additional information is available at http://www.taxlitigator.com

For more information contact Sandra Brown at brown@taxlitigator.com

***Philipp Behrendt** is a Principal at Hochman Salkin Toscher Perez P.C., licensed in California as well as in Germany and assists in advising clients in civil and criminal tax controversies as well as international money laundering investigations stemming from tax avoidance structures. He also focuses on the technical aspects involved in advising voluntary disclosures in connection with DeFis, NFTs, and other crypto assets. Philipp is a Liaison to the Young Lawyer Committee for the ABA Tax Section's Civil and Criminal Tax Penalties Committee and served on the Beverly Hills Bar Association's Barristers Board of Governors from 2022 to 2023. Philipp is the Chair of the Beverly Hills Bar Association's Tax Section and the Blockchain and Web3 Law Section.*

For more information, please contact Philipp Behrendt at behrendt@taxlitigator.com