



## Aircraft Sales & Use Tax Review

### Q: What is Sales and Use Tax?

**A:** Sales and Use Tax is a transaction tax that applies to purchases of tangible personal property. In cases where a seller does not charge Utah sales tax, the purchaser is responsible to report and remit the tax, which is called use tax. Sales and use tax is due only once per purchase.

### Q: How do Utah tax laws, rules and regulations require sales or use tax to be paid on aircraft?

**A:** Utah Code states that vehicles subject to titling or registration shall have sales and use tax paid by the purchaser. Any civil aircraft located in Utah must have a current certificate of registration in order to be operated in Utah. Aircraft subject to titling and/or registration are considered vehicles, and are subject to sales and use tax. If the seller of the aircraft is a regular licensed vehicle dealer, the seller is to collect the tax at purchase. Otherwise, the purchaser is responsible to pay sales and use tax directly to the Utah State Tax Commission when the vehicle is titled or registered.

### Q: My aircraft is not registered in Utah, or is not subject to titling and registration in Utah. Do I owe Utah sales and use tax?

**A:** If the aircraft is located or based in Utah, it must be registered in Utah in order to be operated in the state, and Utah sales and use tax is due on the purchase. Even if the aircraft is non-operating, such as a kit-built plane not yet required to be registered, it is still tangible personal property subject to sales and use tax. If the aircraft is used, consumed, or stored in Utah, sales and use tax applies to the purchase. If the aircraft was not used in Utah, please show its location with flight logs, a hanger rental agreement, or other documentation for purposes of this aircraft review.

### Q: Why is interest due on the tax?

**A:** If not collected by the seller, the sales and use tax on an aircraft purchase is due at the time of the aircraft's registration. Interest is being applied from that point until the present because the tax has been overdue during this time.

### Q: Sales and use tax was already paid on the aircraft. What kind of verification or documentation can I use to show this?

**A:** Please provide a copy of a purchase or sales contract, an invoice, or a receipt that shows Utah sales and use tax has been paid. A credit against the Utah tax is allowed for sales and use tax paid to another state where tax was first due. If tax was paid to the DMV instead of to the seller, include proof of the purchase price in addition to the DMV receipt. (Please be aware that registration fees and uniform fees are distinct from sales tax.)

### Q: Can an authorized carrier purchase or lease an aircraft exempt from sales and use tax?

**A:** Yes. If the purchaser/lessee is the holder of an operating certificate issued by the Federal Aviation Administration (FAA), authorizing them to engage in interstate commerce, the purchase or lease is tax exempt. Utah State Tax Commission form TC-719, Sales Tax Exemption Affidavit for Authorized Interstate Carriers, should be submitted by the purchaser at the time of the transaction. To prove this exemption for purposes of this aircraft review, please provide a copy of the operating certificate.

### Q: What if I bought the aircraft intending to resell or lease it?

**A:** To purchase an aircraft exempt from sales and use tax for the purpose of reselling it, a party must be engaged in the business of manufacturing, distributing, or selling aircraft, and be licensed with Utah to collect sales tax.

If the aircraft was purchased with the intent to lease it to another party, the purchase is exempt under the resale exemption so long as the aircraft is actually leased. Although your purchase of the aircraft is exempt, you must collect sales tax on the lease payments if the lessee stores or uses the aircraft in Utah, unless the lessee provides an exemption certificate (for example, as an authorized carrier). If the aircraft was purchased first to be used, and is only leased at a later time, the exemption does not apply. To prove this exemption for purposes of this aircraft review, please provide a copy of the lease agreement.



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### Q: What amount is the sales and use tax based on?

**A:** Sales tax is calculated by multiplying the tax rate of the jurisdiction in which the aircraft is located by the purchase price or the value of other consideration paid for the aircraft. A credit is allowed against the purchase price for the value of trade-ins of other aircraft or other vehicles. In the absence of a bill of sale or other written evidence of purchase price, the Utah State Tax Commission uses an average retail price to estimate the taxable amount of aircraft until such time we are provided with proof of the actual purchase price.

The tax base for aircraft assembled from kits includes the cost of any parts on which Utah sales and use tax was not already paid.

### Q: How did you obtain this Average Retail Price?

**A:** We use Price Digest's Aircraft Bluebook Historical Value Reference. For aircraft not listed (i.e. kits, assembled from parts, experimental, etc.), we determine the Average Retail Price based on the average price of similar aircraft being offered for sale. If the Average Retail Price stated on the Summary is inaccurate, we will adjust the amount upon receipt of valid documentation showing the actual purchase price of the aircraft. (Please note, a bill of sale with a nominal value such as "\$10 and other valuable consideration" will not be considered adequate documentation of the purchase price.)

### Q: If the Average Retail Price is less than the actual purchase price, can I choose to have my sales tax based on the average instead of the actual purchase price?

**A:** No. Sales tax is based on the actual purchase price or the value of other consideration paid. The average price is only used in the absence of the actual purchase price. The tax amount based on the Average Retail Price will be amended once the actual purchase price is determined.

### Q: If the aircraft is not airworthy, do I still have to pay sales tax?

**A:** Yes. Sales and use tax is a tax on the transaction, and the tax is based on the price of the aircraft when it was purchased, unlike a property tax, which is based on the current value of the property. The tax is due based on the purchase price of the aircraft, regardless of whether it is later damaged and loses value.

The Average Retail Price assumes aircraft are purchased in good condition, and we understand it may not be accurate. If not, you may submit documentation verifying the actual purchase price of the aircraft, and the tax will be based on that amount.

### Q: What if I already sold the aircraft in question?

**A:** Because sales and use tax is a tax on the purchase of property, not on the possession of property, the tax is due on the transaction that occurred when you purchased the aircraft, regardless of whether you still own it.

### Q: If an airplane is purchased from a private individual, is it exempt from sales and use tax?

**A:** No. Although there is an exemption for "isolated or occasional sales," that exemption does not apply to sales of vehicles that require registration, including aircraft. If the aircraft is purchased from a dealer who has been licensed for Utah sales tax, the dealer should charge and remit the sales tax. If the aircraft is purchased from other than a licensed aircraft dealer, then the sales or use tax is due from the purchaser at the time of the aircraft's registration.

### Q: How do I pay the tax at registration?

**A:** Aircraft operated in Utah must be registered with the Division of Motor Vehicles (DMV), and sales tax is to be paid to the DMV at the initial registration. You should pay the tax to the DMV for any **future** aircraft purchases, but for tax on an aircraft for which you have received this notice, **do not** pay the tax to the DMV. Instead use the return envelope provided to send payment.