

**STATE TAXES ON AIRCRAFT**

Prepared for:

**Airport Funding Advisory Task Force**  
Minneapolis, Minnesota

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## **1.0 INTRODUCTION**

The duties of the Minnesota Airport Funding Advisory Task Force ("Task Force"), was defined in a resolution adopted by the LCC on June 19, 2007. This resolution stated that the Task Force would study:

- a. The adequacy of current sources of revenue for the state airports fund and airports in the state;
- b. Policy considerations regarding the use of the sales tax on aircraft as a potential source of revenue for airports;
- c. How other states fund airports;
- d. Projected aviation needs of the future, including required investments in aviation infrastructure;
- e. Aircraft registration taxes; and
- f. Other issues relating to the funding of airports as determined by the Task Force.

I was asked to assist in this project in the areas of compilation of information and data relating to:

- a. Identifying other states that are major competitors to Minnesota aviation;
  - a. How these other states fund airports.
  - b. How aircraft registration taxes are imposed in these states.
  - c. Include comparisons of taxes paid by general aviation in these states:

Include in the analysis should be state, county, local and other taxes paid by general aviation aircraft owners and the airlines. Members of the Task Force may assemble state, county and local taxes paid by the airlines in these states. However, the consultant may be asked to review the documentation for accuracy and completeness

The states selected were Minnesota, North Dakota, South Dakota, Iowa, Wisconsin, California, Delaware, Florida, Illinois, Michigan, Montana, New York, Pennsylvania, Texas and Arizona.

I was asked to survey these states to determine how their aviation programs are funded and what sources of revenue are used for airport development and compare Minnesota's funding mechanisms and sources of revenues to these states.

In addition, I was asked to survey these states to determine how aviation is taxed and how the tax structure compares to Minnesota. Consultant will also compare how commercial aviation and general aviation is taxed and how this revenue is used.

Finally, I was asked to present the results of research to the Task Force. At this time I was asked to gather some additional data

- a. How are fractionally owned aircraft taxed?

- b. Provide an overview of recent state tax activity
- c. Explain the Michigan Bonds
- d. Research if MN is competitive on the taxing of the airlines
- e. Compare what the actual taxes are on a small private aircraft, such as a Cirrus SR22 and what the taxes are on a larger jet, such as a Challenger 604 in the 13 surveyed states

## **2.0 OVERVIEW**

**TASK ONE:** Survey of Federal, state and local aviation program funding sources and mechanisms in fourteen states (AZ, CA, DE, FL, IL, IA, MI, MT, NY, ND, PA, SD, TX & WI) and compare to Minnesota.

Over the past several weeks I have researched each of the above states regarding the level of funding each of their respective aviation programs receive from various state sources. In addition, I have contacted several directors to obtain clarification of some of the information contained in the *2007 NASAO State Aviation Funding & Organizational Data Report*. Attached is a spreadsheet giving a run down on some of their funding mechanisms.

What I have found is that the states are not necessarily knowledgeable of all of the taxes imposed on aviation and therefore really do not know how much revenue is generated by aviation within their state. Delaware and Illinois did not provide information to the NASAO Report and are reluctant to do so. More information on how the state's tax aviation is addressed in Task 2. For now, this report shows what funding the above mentioned states are currently receiving and in some cases from where.

What I found to be of the most interest are:

- Arizona, Michigan, Minnesota & Pennsylvania as they all have one (1) large hub in their State.
- None of the states, except Minnesota and Arizona, get significant dollars from the Aircraft Registration Fee
- Arizona, Michigan, Minnesota, New York, Pennsylvania, Texas & Wisconsin all receive state funding between \$12,612,300 & \$32,500,000. Minnesota falls right in the middle.
- Michigan, Pennsylvania, Texas & Wisconsin are all Block Grant States.
- Iowa, Montana, New York & South Dakota have less than 12 employees, while all the other states have greater than 25 employees
- 8 out of the 13 states have a dedicated Aviation Fund
- Total Funding (State and Federal)
  - Less than \$50,000,000
    - IA, MT, ND, SD & WI
  - \$50,000,000 - \$100,000,000
    - AZ, CA, MN
  - \$100,000,000 - \$200,000,000
    - MI, NY & PA
  - Greater than \$200,000,000

- FI & TX

Based on the above information I would say that the states that are the most like Minnesota in funding are Arizona and California. Note that California has 3 large hub airports compared to Arizona and Minnesota who only have 1 large hub airport.

**TASK 2** - Study of how state taxes are imposed on commercial and general aviation in 14 states (AZ, CA, DE, FL, IL, IA, MI, MT, NY, ND, PA, SD & WI) and compare to MN.

To address how each state taxes aviation, a State-by-State breakdown on how aviation is taxed in the above referenced states was performed. I chose to break aircraft operations into 4 categories as I was also looking to show how commercial and general aviation were taxed differently.

- Noncommercial General Aviation (FAR Part 91)
- Fractional Aircraft Ownership (FAR 91 Subpart K)
- Commercial General Aviation (FAR Part 135)
- Commercial Aviation –Airlines (FAR Part 121)

This was done to show how aircraft/aviation is taxed in all areas. As you can see not only is general aviation taxed differently depending on whether the aircraft is used privately or commercially, but there is significant difference between Commercial General Aviation (FAR Part 135) and Commercial Aviation – Airlines (FAR Part 121).

I also felt that it was important to show how the money paid by the owners and operators of aircraft was used.

In many cases, the monies collected from aviation went into a general or state fund. In some cases the monies went into an aviation dedicated fund<sup>1</sup>. Such is the case with “aircraft registration fees”. Out of the nine<sup>2</sup> states that have an aircraft registration fee, this registration fee always went into the aviation fund. Of the 13 states with fuel taxes, 10 dedicate all or a part of this tax to an aviation fund. Only MN, WI & AZ dedicated their airline property tax to aviation. Personal property taxes are imposed at the county level and those monies go back to the counties in which the aircraft is hangared.

**TASK 3** – Presentation of Findings (*see attached PPT*)

**TASK 4** – Follow-up

- a. How are fractionally owned aircraft taxed?

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<sup>1</sup> Note – Most aircraft owners do not care where the collected tax monies go or how they are used.

<sup>2</sup> Effective FY 2009 Iowa’s registration fee will be dedicated to their new Aviation Trust Fund.

- a. I found that of the 13 states involved in this report, only California and Texas have specific rules regarding fractionally owned aircraft.
  - i. California passed legislation that stated effective FY '08/'09 that they would start imposing their personal property tax on fractionally owned aircraft that were in their state.
  - ii. Texas considers fractionally owned aircraft to be commercial aircraft and therefore do not impose their sales tax on these aircraft however, the personal property tax may apply depending on how aggressive a particular county is.
- b. However, several states could and do tax fractionally owned aircraft because of other rules, such as Arizona who will tax any aircraft who spends more than 90 days in the state. Minnesota has a 60 day for aircraft registration and Iowa has a 30 day rule. So several states do have the ability to tax fractionally owned aircraft.
- b. Provide an overview of recent state tax activity
  - a. Some of the most significant activity in 2007-2008 –
    - i. Michigan (2/9/06) – Sales tax does not apply to most parts and materials used on nonresident aircraft as long as the aircraft is removed from the state within 15 days after the work is completed.
    - ii. Maine (1/1/07) –
      - 1. Nonresident aircraft are not subject to sales/use taxes until they have spend more than 20 days in the state.
      - 2. Sales or leases of aircraft that weigh over 6,000 pounds, that are propelled by one or more turbine engines are that are in used by a 135 operator are exempt from sales and use taxes
    - iii. Indiana (7/1/07) –
      - 1. Reinstated the fly away exemption for non-resident aircraft as long as the aircraft is removed within 30 days of delivery
      - 2. Provided an exemption that if work is being done an aircraft when the delivery occurs, no sales/use tax is due if the aircraft is removed within 30 days.
    - iv. Illinois (7/1/07) – Aircraft in the state for a pre-purchase inspection or post sale customization are exempt from sales/use taxes if they are removed within 15 days of completion.
    - v. South Carolina (7/1/07) – Sales tax rates went up from 5% - 6%
    - vi. California (FY '08/'09) – Began imposing their personal property tax on fractionally owned aircraft.

- vii. Georgia (7/1/07 – 6/30/09) – Sale of engines, parts, equipment and other tangible parts used in the maintenance of non-resident aircraft are exemption from sales tax.
- viii. Maryland (1/3/08) – Sales tax rates went up from 5% - 6%
- ix. Indiana (4/1/08) – Sales tax rate went up from 6% - 7%
- x. Indiana (7/1/08) – New Lease Rule
- xi. Idaho (7/1/08) – Jet fuel tax increased to 6 cents per gallon and avgas tax increased to 7 cents per gallon
- xii. Ohio (6/24/08) – Sales of parts, materials, equipment or engines under in the repair or maintenance of aircraft at a FAA certified repair station on aircraft that weigh more than 6,000 pounds are exempt from the state sales tax.
- xiii. Iowa (8/1/08) – Increase sales and use/excise tax from 5% - 6%
- xiv. Missouri (8/28/08)
  - 1. Sales tax eliminated on some aircraft parts
  - 2. Definition of commercial aircraft changed from aircraft weighing 7,000 pounds to aircraft weighing 3,000 pounds
  - 3. Cap on monies directed to Trust Fund increased from \$6M to \$10M
- xv. Colorado (8/8/08) – Sales tax will not be due on an aircraft sold to a nonresident in the state along as the aircraft is removed within 120 days and will not be in the state more than 73 days in a year for the next 3 years.
- xvi. California (10/1/08) – The 90 day rule was revoked and changed to a 12 month rule. Basically if you buy and aircraft out of the state and you are a resident of California, you cannot bring the aircraft into the state for 12 months or you will owe the sales/use tax on the aircraft.
- xvii. Utah (1/1/09)
  - 1. Aircraft registration fee will now be .4% of the fair market value of the aircraft
  - 2. Uniform fee will now be \$25 per year
- b. Legislation that failed
  - i. Massachusetts – Governor’s Budget proposal to do away with aircraft sales/use tax exemption failed.
  - ii. New York – Proposal to redefine transportation for hire, failed.
  - iii. Rhode Island – Legislation introduced to do away with aircraft sales/use tax exemption, failed.
- c. Explain the Michigan Bonds

- a. In 2002 the Michigan Legislature authorized the sale of \$60.0 million in bonds to fund aviation infrastructure in Michigan over 5 years (hence the \$12 mill/year). The debt service on the bonds is funded through a parking tax centered on, and around, Detroit Metropolitan Airport. (*per Rob Abent, Director MI Multi-Model Transportation Services Bureau*)
- d. Research if MN is competitive on the taxing of the airlines
  - a. It is very difficult to actually calculate how much each of the airlines pay in taxes in each of the states. However, I have attached a tab spreadsheet that show how each of the states' tax the airlines. It does vary from state to state with the taxes paid based primarily being on how much activity the airline has within the state. Arizona and Minnesota are the only states surveyed that dedicate these revenues to their aviation trust fund.
- e. Compare Real Costs
  - a. Compare what the actual taxes are on a small private aircraft, such as a Cirrus SR22 and what the taxes are on a larger jet, such as a Challenger 604 in the 13 surveyed states.
    - i. Aircraft Registration Fees, Personal Property Taxes, etc.
      - 1. Cirrus SR22
        - a. Minnesota had the 3<sup>rd</sup> highest (tied with Iowa) of these taxes.
          - i. However, only Texas and California were higher and they have a personal property tax that is not dedicated to aviation.
          - ii. So of the states with a registration fees, MN is the highest in the first year.
            - 1. Once the aircraft is owned for 7 years this tax goes down and then MN is the 5<sup>th</sup> highest, behind TX, CA, IA and AZ
      - 2. Challenger 604
        - a. Minnesota is the 3<sup>rd</sup> highest in these taxes.
          - i. However, only Texas and California were higher and they have a personal property tax that is not dedicated to aviation.
          - ii. So of the states with a registration fees, MN is the highest in the first year.
            - 1. Once the aircraft is owned for 7 years this tax goes down and then MN is the 4<sup>th</sup> highest, behind TX, CA and AZ



**ii. Sales/Use Taxes****1. Exemptions from Sales/Use Tax**

- a. Have of the states (7) surveyed exempt aircraft that are operated under FAR Part 135 from the application of the states sales/use tax. These states are CA, IL, MI, MT, NY, TX & WI.
  - i. In these states only the aircraft registration fees, personal property taxes, other may be due.
    - 1. In Texas the personal property tax would be less for an aircraft operated primarily under 135.

**2. Sale for Resale (Sales/use tax deferral)**

- a. Only Illinois and New York do not have a sale for resale exception. Iowa has one, but it is restricted.

**f. Maintenance**

- a. In the past couple of years several state legislatures (MI, IN, IL GA, OH, MO) have passed legislation making it easier for non-residents to bring their aircraft to their states and not have to pay their state sales/use tax on the work done on their aircraft. Although there is lost revenue on the parts installed on these aircraft, this measure does create more jobs in the state.

**RECOMMENDATIONS**

Minnesota continues to rank in top half of all taxes and fees imposed on General Aviation. As far as the taxation of the airlines, that is difficult for me to determine based on how these taxes are calculated. However, only Arizona and Minnesota dedicate the taxes collected from the airlines to their Aviation Fund.

Some areas that you might want to talk a look at that would make Minnesota a more friendly state to bring your aircraft -

- 1. Create a maintenance exemption similar to some of the surrounding states, such as Michigan, Indiana, Missouri and Ohio.
- 2. Reduce existing aircraft registration fee and enforce it.
- 3. Exempt aircraft operated under FAR Part 135 from the state sales/use tax.

# **ATTACHMENT A**

## **FUNDING COMPARISON SPREADSHEET TASK 1**

## 2007 Aviation Program Funding Sources

FUNDING SOURCE	Arizona	California	Delaware	Florida	Illinois	Iowa	Michigan	Minnesota	Montana	New York	North Dakota	Pennsylvania	South Dakota	Texas	Wisconsin
<b>State Funding Sources</b>			No Response		No Response										
<b>Aviation</b>															
Aviation Fuel Taxes	\$460,470	\$7,286,834		\$55,700,000				\$3,851,492	\$1,433,893		\$725,000	\$9,000,000	\$411,000		\$1,522,034
Aircraft Sales & Use Taxes															
Aircraft Registration Fees	\$7,748,524							\$5,000,000	\$270,994		\$425,000		\$700,000		\$591,963
Property Tax/Ad valorem															
Flight Property Tax	\$19,566,963							\$8,441,336							\$6,708,949
Reimbursement for AIP Project Mgmt	\$1,967,842														
Other						\$2,814,000	\$5,839,510			\$9,500,000	\$2,111,019				
<b>Total</b>	<b>\$29,743,799</b>	<b>\$7,286,834</b>	<b>\$0</b>	<b>\$55,700,000</b>	<b>\$0</b>	<b>\$2,814,000</b>	<b>\$5,839,510</b>	<b>\$17,292,828</b>	<b>\$1,704,887</b>	<b>\$9,500,000</b>	<b>\$3,261,019</b>	<b>\$9,000,000</b>	<b>\$1,111,000</b>	<b>\$0</b>	<b>\$8,822,946</b>
<b>Non-Aviation</b>															
Highway Taxes				\$57,569,558				\$837,000		\$8,000,000				\$16,090,490	\$3,789,354
General Funds				\$19,132,000			\$5,000,000				\$274,000	\$5,000,000			
Bonds							\$12,000,000			\$15,000,000					
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$76,701,558</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,000,000</b>	<b>\$837,000</b>	<b>\$0</b>	<b>\$23,000,000</b>	<b>\$274,000</b>	<b>\$5,000,000</b>	<b>\$0</b>	<b>\$16,090,490</b>	<b>\$3,789,354</b>
<b>TOTAL</b>	<b>\$29,743,799</b>	<b>\$7,286,834</b>	<b>\$0</b>	<b>\$132,401,558</b>	<b>\$0</b>	<b>\$2,814,000</b>	<b>\$22,839,510</b>	<b>\$18,129,828</b>	<b>\$1,704,887</b>	<b>\$32,500,000</b>	<b>\$3,535,019</b>	<b>\$14,000,000</b>	<b>\$1,111,000</b>	<b>\$16,090,490</b>	<b>\$12,612,300</b>
<b>Federal AIP Grant Funds</b>															
Primary Airports	\$26,117,435	\$57,516,519		\$91,590,541		\$16,016,946	\$89,039,715	\$33,074,292	\$23,478,512	\$92,190,650	\$11,936,894	\$71,786,766	\$13,494,075	\$175,186,219	\$20,095,329
Non-Primary Commercial Service Airports	\$992,496	\$450,000				\$819,081		\$478,916	\$709,424	\$5,504,593	\$3,741,306	\$14,060,000	\$1,009,090		
General Aviation Airports	\$9,485,627	\$16,995,671		\$13,551,906		\$24,339,640		\$16,648,814	\$14,093,685	\$19,911,903	\$7,187,523	\$2,112,533	\$10,874,561		
Reliever Airports	\$12,175,463	\$4,984,126		\$42,942,329		\$0		\$7,433,947		\$15,235,452		\$1,609,000			
System Plan		\$350,000				\$359,931			\$133,000	\$300,000	\$1,396,641	\$513,353		\$662,000	
Block Grant							\$29,241,359					\$15,210,185		\$56,310,707	\$10,193,986
<b>TOTAL</b>	<b>\$48,771,021</b>	<b>\$80,296,316</b>	<b>\$0</b>	<b>\$156,000,000</b>	<b>\$0</b>	<b>\$41,535,598</b>	<b>\$118,281,074</b>	<b>\$57,635,969</b>	<b>\$38,414,621</b>	<b>\$133,142,598</b>	<b>\$24,262,364</b>	<b>\$105,291,837</b>	<b>\$25,377,726</b>	<b>\$232,158,926</b>	<b>\$30,289,315</b>
<b>GRAND TOTAL</b>	<b>\$78,514,820</b>	<b>\$87,583,150</b>	<b>\$0</b>	<b>\$288,401,558</b>	<b>\$0</b>	<b>\$44,349,598</b>	<b>\$141,120,584</b>	<b>\$75,765,797</b>	<b>\$40,119,508</b>	<b>\$165,642,598</b>	<b>\$27,797,383</b>	<b>\$119,291,837</b>	<b>\$26,488,726</b>	<b>\$248,249,416</b>	<b>\$42,901,615</b>
<b>OTHER INFORMATION</b>															
Block Grant	No	No		No	Yes	No	Yes	No	No	No	No	Yes	No	Yes	Yes
Channeling Act	No	No		No	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes
# of Airports	312	692		760		350	499	371	569	490	304	816	73	1653	706
# of Airports Funded (AIP/State)	60/52	186/216		104/106		77/111	95/113	95/136	86/119	96/96	54/90	64/135	57/72	217/286	87/98
Largest HUB Airport Size	1 large hub	3 large hub		4 large hub		2 small hub	1 large hub	1 large hub	7 non-hub	2 large hub	4 non-hub	1 large hub	1 small hub	2 large hub	1 medium hub
# of Primary Airports	8	27		18		6	13	8	7	12	4	10	4	27	8
Trust Fund	Yes	No		No		Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No
# of Employees in Dept	33	27		25		6	46	37	10.29	11	6	38	8	67	37

**NOTE:** Information obtained from *NASAO State Aviation Funding & Organization Data Annual Report* FY 2007.

**ATTACHMENT B**

**OVERVIEW  
OF  
HOW EACH STATE TAXES AVIATION**

**TASK 2**



## ARIZONA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 5.6% state sales and use tax applies to the purchase of aircraft.
- *Jet Fuel Tax* – \$0.0305 per gallon
- *Aviation Gasoline Tax* - \$0.05 cent per gallon
- *Aircraft Registration Fees* – a \$5 aircraft registration fee
- *Aircraft License Tax* – 1/2 % of fair market value aircraft license tax in lieu of personal property tax.
  - Non-resident aircraft who are in the state over 90 days are subject to a .1% of fair market value license tax.

#### Fractional Aircraft (Part 91 Subpart K) –

- No regulations specific to fractional ownership.
  - These aircraft would be subject to the .1% of fair market value license tax if they are in the state for more than 90 days.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – Aircraft sold to a person holding a Federal certificate of public convenience and necessity are exempt from the sales/use tax, this does not include Part 135, therefore the sales/use tax applies to aircraft operated under 135
- *Jet Fuel Tax* – \$0.0305 per gallon
- *Aviation Gasoline Tax* - \$0.05 cent per gallon
- *Aircraft Registration Fees* – a \$5 aircraft registration fee
- *Aircraft License Tax* – 1/2 % of fair market value aircraft license tax in lieu of personal property tax.
  - Non-resident aircraft who are in the state over 90 days are subject to a .1% of fair market value license tax.

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – Aircraft sold to a person holding a Federal certificate of public convenience and necessity are exempt from the sales/use tax.
- *Fuel Taxes* - \$0.0305 per gallon tax on jet fuel. This tax is only on the first 10 million gallons sold.
- *Aircraft Registration Fees* – N/A
- *Flight Property Tax* – There is a "flight property tax" that is based on the full cash value of all flight property that is operated in Arizona in air commerce by each airline.

### Sales Tax Exemptions

- Occasional Sale
- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |   |
|------------------------------|---|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | No??????  |
| ▪ Aviation Gasoline          | Yes   |
| ▪ Aircraft Registration Fees | Yes   |
| ▪ License Tax                | Yes   |
| ▪ Flight Property Tax        | Yes ( <i>Part to Aviation Fund &amp; Part to the General Fund</i> ) |



## State Aviation Funding Sources

	<b>2007</b>
Fuel Taxes	\$460,470
Sales & Use	\$7,748,524
Other	\$19,566,963
Reimbursement AIP Project Management	\$1,967,842
<b>TOTAL</b>	<b>\$29,743,799.00</b>



## CALIFORNIA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – 7.25% sales/use tax could apply, however, there are several exemptions
- *Jet Fuel Tax* – \$0.02 per gallon, plus the state sales tax.
- *Aviation Gasoline Tax* - \$0.18 per gallon
- *Personal Property Taxes* - Yes

#### Fractional Aircraft (Part 91 Subpart K)

- Fractional aircraft that come into California are subject to personal property taxes based on the amount of time they spend in the state.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – Aircraft sold to any person using the aircraft as a common carrier of persons or property are exempt.
- *Jet Fuel Tax* – \$0.02 per gallon, plus the state sales tax.
- *Aviation Gasoline Tax* - \$0.18 per gallon
- *Personal Property Taxes* - Yes

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – Aircraft sold to any person using the aircraft as a common carrier of persons or property are exempt.
- *Jet Fuel Tax* – airlines are exempt from the \$0.02 per gallon and the state sales tax.
- *Personal Property Taxes* – Airlines pay a personal property tax based on an apportionment basis.

### Sales Tax Exemptions

- Interstate Commerce
- Occasional Sale
- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |     |
|------------------------------|-----|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | Yes |
| ▪ Aviation Gasoline          | Yes |
| ▪ Aircraft Registration Fees | N/A |
| ▪ Personal Property Taxes    | No  |

### State Aviation Funding Sources

	2007
Fuel Taxes	\$7,286,834
<b>TOTAL</b>	<b>\$7,286,834.00</b>



## DELAWARE

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – There is not a state sales tax or compensating use tax, however, DE does impose a gross receipts tax on the total consideration received by a wholesaler for goods physically delivered within the state. Aircraft that weigh more than 12,500 are exempt
- *Jet Fuel Tax* – None
- *Aviation Gasoline* - \$0.23, however, all tax is refundable upon submission of Form MFT-4

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – There is not a state sales tax or compensating use tax, however, DE does impose a gross receipts tax on the total consideration received by a wholesaler for goods physically delivered within the state. Aircraft that weigh more than 12,500 are exempt
- *Jet Fuel Tax* – None
- *Aviation Gasoline* - \$0.23, however, all tax is refundable upon submission of Form MFT-4

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – There is not a state sales tax or compensating use tax, however, DE does impose a gross receipts tax on the total consideration received by a wholesaler for goods physically delivered within the state. Aircraft that weigh more than 12,500 are exempt
- *Jet Fuel Tax* – None

### Sales Tax Exemptions

- None

### Aviation Taxes Dedicated to Aviation

- |                     |     |
|---------------------|-----|
| ▪ Sales/Use Taxes   | No  |
| ▪ Jet Fuel          | N/A |
| ▪ Aviation Gasoline | No  |

### State Aviation Funding Sources

	<b>2007</b>
<b>TOTAL</b>	<b>\$0</b>





## FLORIDA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.069 per gallon tax
- *Aviation Gasoline Tax* – \$0.069 per gallon tax

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – the 6% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.069 per gallon tax
- *Aviation Gasoline Tax* – \$0.069 per gallon tax

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – Aircraft that weigh more than 15,000 pounds (MGTOW) for use by a common carrier is exempt from the tax. Common Carrier means an airline operating under FAR Part 121.
- *Fuel Taxes* – there is a 3% state sales tax on jet fuel.
- *Jet Fuel Tax* – \$0.069 per gallon tax, partial exemption may be available.

### Sales Tax Exemptions

- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                     |     |
|---------------------|-----|
| ▪ Sales/Use Taxes   | No  |
| ▪ Jet Fuel          | Yes |
| ▪ Aviation Gasoline | Yes |

### State Aviation Funding Sources

	2007
Fuel Taxes	\$55,700,000
Highway Taxes	\$57,569,580
General Fund	\$19,132,000
<b>TOTAL</b>	<b>\$132,401,580.00</b>



## ILLINOIS

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6.25% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – there is a 6.25% state sales/use tax
- *Aviation Gasoline Tax* - there is a 6.25% state sales/use tax
- *Aircraft Registration Fees* – there is a \$20 biennial aircraft registration fee.

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – there is a “rolling stock” exemption...the sale to or purchase by a certified carrier that will use the aircraft to haul persons or commodities for hire in interstate commerce on a regular and frequent basis, are exempt. Purchasers of vehicles must document their tax-exempt purchases by completing (*Form RUT-7*).
- *Jet Fuel Tax* – there is a 6.25% state sales/use tax
- *Aviation Gasoline Tax* - there is a 6.25% state sales/use tax
- *Aircraft Registration Fees* – Exemption for aircraft operated principally in interstate commerce

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – there is a “rolling stock” exemption...the sale to or purchase by a certified carrier that will use the aircraft to haul persons or commodities for hire in interstate commerce on a regular and frequent basis, are exempt. Purchasers of vehicles must document their tax-exempt purchases by completing (*Form RUT-7*).
- *Fuel Taxes* –No such tax shall be imposed upon the importation or receipt of aviation fuels and kerosene at airports with over 170,000 operations per year, located in a city of more than 1,000,000 inhabitants for sale to or use by holders of certificates of public convenience and necessity or foreign air carrier permits, issued by the United States Department of Transportation, and their air carrier affiliates, or upon the importation or receipt of aviation fuels and kerosene at facilities owned or leased by those certificate or permit holders and used in their activities at an airport described above.
- *Aircraft Registration Fees* –Exempt
- *Airline Tax* – None found????

### Sales Tax Exemptions

- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |     |
|------------------------------|-----|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | No  |
| ▪ Aviation Gasoline          | No  |
| ▪ Aircraft Registration Fees | Yes |

### State Aviation Funding Sources

	<b>2007</b>
<b>TOTAL</b>	



## IOWA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – a 6% excise/use tax imposed on the use of aircraft in the state.
- *Jet Fuel Tax* – a \$0.03 per gallon excise tax
- *Aviation Gasoline Tax* – a \$0.08 per gallon tax on aviation gasoline.
- *Aircraft Registration Fees* – there is an aircraft registration fee that is 1% of the manufacturer's list price the first year, going down to .25% in the 4<sup>th</sup> year, not to exceed \$5,000.
  - Aircraft that are operated or otherwise controlled within the state for more than 30 days are required to be registered.

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft
- Aircraft that are operated or otherwise controlled within the state for more than 30 days are required to be registered

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – there is a 6% excise/use tax imposed on the use of aircraft in the state.
- *Jet Fuel Tax* – a \$0.03 per gallon excise tax
- *Aviation Gasoline Tax* – a \$0.08 per gallon tax on aviation gasoline.
- *Aircraft Registration Fees* – an aircraft registration fee that is 1% of the manufacturer's list price the first year, going down to .25% in the 4<sup>th</sup> year, not to exceed \$5,000.
  - Aircraft that are operated or otherwise controlled within the state for more than 30 days are required to be registered

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – aircraft used in scheduled interstate Federal aviation administration-certified air carrier operation are exempt from this tax.
- *Fuel Taxes* – a \$0.03 per gallon excise tax
- *Aircraft Registration Fees* – \$100 for scheduled airline using aircraft in interstate commerce.

### Sales Tax Exemptions

- Sale for Resale, limited
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |                                 |
|------------------------------|---------------------------------|
| ▪ Sales/Use Taxes            | No                              |
| ▪ Jet Fuel                   | No                              |
| ▪ Aviation Gasoline          | No                              |
| ▪ Aircraft Registration Fees | Yes ( <i>Starting FY 2009</i> ) |



### State Aviation Funding Sources<sup>1</sup>

	<b>2007</b>
Other <sup>2</sup>	\$2,814,000
<b>TOTAL</b>	<b>\$2,814,000.00</b>

---

<sup>2</sup> This comes from the “Rebuild Iowa Infrastructure Fund”



## MICHIGAN

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6% state sales tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.03 per gallon excise tax and a 6% state sales tax.
- *Aviation Gasoline Tax* - \$0.03 per gallon excise tax and a 6% state sales tax.
- *Aircraft Registration Fees* – a 1 cent per pound aircraft registration fee based on the maximum gross certified takeoff weight.

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – aircraft used solely in the transport of cargo, passengers or a combination thereof, that has a maximum certified takeoff weight of more than 6,000 pounds are exempt from this tax.
- *Jet Fuel Tax* – \$0.03 per gallon excise tax and a 6% state sales tax.
- *Aviation Gasoline Tax* - \$0.03 per gallon excise tax and a 6% state sales tax.
- *Aircraft Registration Fees* – a 1 cent per pound aircraft registration fee based on the maximum gross certified takeoff weight.

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – aircraft used solely in the transport of cargo, passengers or a combination thereof, that has a maximum certified takeoff weight of more than 6,000 pounds are exempt from this tax.
- *Fuel Taxes* – \$0.015 per gallon excise tax on jet fuel and a 6% state sales tax.
- *Aircraft Registration Fees & Personal Property Taxes* – Exempt

### Sales Tax Exemptions

- Occasional Sale
- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |                  |
|------------------------------|------------------|
| ▪ Sales/Use Taxes            | No               |
| ▪ Jet Fuel                   | Yes (excise tax) |
| ▪ Aviation Gasoline          | Yes (excise tax) |
| ▪ Aircraft Registration Fees | Yes              |

### State Aviation Funding Sources

	2007
Other	\$5,839,510
General Fund	\$5,000,000
Bonds	\$12,000,000
<b>TOTAL</b>	<b>\$22,839,510.00</b>



## MINNESOTA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6.5% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.05 per gallon, going down to \$0.005 when more than 200,000 gallons are purchased.
- *Aviation Gasoline Tax* – same as jet fuel
- *Aircraft Registration Fees* – there is an aircraft registration fee that is 1% of the manufacturer's list price the first year, going down to .25% in the 7<sup>th</sup> year.
  - This fee is due on resident aircraft and any aircraft that spend more than 60 days in the state.

#### Fractional Aircraft (Part 91 Subpart K)

- No specific regulations on fractional aircraft.
- These aircraft would also be subject to the aircraft registration fee if they are in the state for more than 60 days in a year.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – the 6.5% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.05 per gallon, going down to \$0.005 when more than 200,000 gallons are purchased.
- *Aviation Gasoline Tax* – same as jet fuel
- *Aircraft Registration Fees* – there is an aircraft registration fee that is 1% of the manufacturer's list price the first year, going down to .25% in the 7<sup>th</sup> year.
  - This fee is due on resident aircraft and any aircraft that spend more than 60 days in the state.

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – exempt from the state sales tax
- *Jet Fuel Tax* – \$0.05 per gallon, going down to \$0.005 when more than 200,000 gallons are purchased.
- *Aircraft Registration Fees* – N/A
- *Flight Property Tax* – The flight property of all airline companies operating in Minnesota shall be assessed annually.

### Sales Tax Exemptions

- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |     |
|------------------------------|-----|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | Yes |
| ▪ Aviation Gasoline          | Yes |
| ▪ Aircraft Registration Fees | Yes |
| ▪ Flight Property Taxes      | Yes |



## State Aviation Funding Sources

	<b>2007</b>
Fuel taxes	\$3,851,492
Aircraft Registration Fees (S&U)	\$5,000,000
Other <sup>3</sup>	\$8,441,336
Highway Taxes	\$837,000
<b>TOTAL</b>	<b>\$18,129,828.00</b>

<sup>3</sup> Air Flight Property Tax & Interest on other taxes



## MONTANA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – No state sales/use taxes
- *Jet Fuel Tax* – there is a \$0.04 per gallon tax.
- *Aviation Gasoline Tax* – there is a \$0.04 per gallon tax
- *Aircraft Registration Fee* – there is an aircraft registration fee based on type and age of aircraft in lieu of personal property taxes.

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – No state sales/use taxes
- *Jet Fuel Tax* – there is a \$0.04 per gallon tax.
- *Aviation Gasoline Tax* – there is a \$0.04 per gallon tax
- *Aircraft Registration Fee* – there is an aircraft registration fee based on type and age of aircraft in lieu of personal property taxes.

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – No state sales/use taxes
- *Jet Fuel Tax* – there is a \$0.04 per gallon tax, however, scheduled passenger carrying airlines are entitled to a refund of \$0.02 per gallon.
- *Personal Property Taxes* – Airline companies are centrally assessed.

### Sales Tax Exemptions

- N/A

### Aviation Taxes Dedicated to Aviation

- |                              |   |
|------------------------------|---|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | Yes   |
| ▪ Aviation Gasoline          | Yes   |
| ▪ Aircraft Registration Fees | Yes ( <i>10% to aviation, 90% to counties</i> ) |

### State Aviation Funding Sources

	2007
Registration Fees	\$270,994
Aviation Fuel Taxes	\$1,433,893
<b>TOTAL</b>	<b>\$1,704,887.00</b>





## NEW YORK

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – aircraft are subject to the 4% state sales tax.
- *Jet Fuel Tax* – \$0.065 per gallon and the state sales tax. General aviation users are entitled to a refund of the excise tax.
- *Aviation Gasoline Tax* - \$0.065 per gallon and the state sales tax. General Aviation users are entitled to a refund of the excise tax. Form PR 677

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – aircraft engaged predominantly as certified or licensed carriers of persons or property in interstate, intrastate or foreign commerce are exempt from this tax.
- *Jet Fuel Tax* – \$0.065 per gallon and the state sales tax. General aviation users are entitled to a refund of the excise tax.
- *Aviation Gasoline Tax* - \$0.066 per gallon and the state sales tax. General Aviation users are entitled to a refund of the excise tax. Form PR 677

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – aircraft engaged predominantly as certified or licensed carriers of persons or property in interstate, intrastate or foreign commerce are exempt from this tax.
- *Jet Fuel Tax* – Qualifying airlines are entitled to refund of both the excise and sales tax
- *Airline Property Tax* -

### Sales Tax Exemptions

- None

### Aviation Taxes Dedicated to Aviation

- |                           |    |
|---------------------------|----|
| ▪ Sales/Use Taxes         | No |
| ▪ Jet Fuel                | No |
| ▪ Aviation Gasoline       | No |
| ▪ Personal Property Taxes | No |

### State Aviation Funding Sources

	2007
Other	\$9,500,000
Highway Taxes	\$8,000,000
Bonds	\$15,000,000
<b>TOTAL</b>	<b>\$32,500,000.00</b>



## NORTH DAKOTA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 5% state sales tax applies to any aircraft required to be registered in the State
- *Jet Fuel Tax* – \$0.08 per gallon. Everyone is entitled to a refund of the excise tax, however, 4% of the refund goes into an airport construction fund.
- *Aviation Gasoline* - \$0.08 per gallon. Everyone is entitled to a refund of the excise tax, however, 4% of the refund goes into an airport construction fund.
- *Aircraft Registration Fees* – based on the age and weight of the aircraft

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – the 5% state sales tax applies to any aircraft required to be registered in the State
- *Jet Fuel Tax* – \$0.08 per gallon. Everyone is entitled to a refund of the excise tax, however, 4% of the refund goes into an airport construction fund.
- *Aviation Gasoline* - \$0.08 per gallon. Everyone is entitled to a refund of the excise tax, however, 4% of the refund goes into an airport construction fund.
- *Aircraft Registration Fees* – based on the age and weight of the aircraft

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – the 5% state sales tax applies to any aircraft required to be registered in the State
- *Jet Fuel Tax* – \$0.08 per gallon. Everyone is entitled to a refund of the excise tax, however, 4% of the refund goes into an airport construction fund.
- *Personal Property Taxes* – The State Board of Equalization values airlines for property tax purposes. The State Tax Commissioner collects airline taxes and distributes them to the airports where the airlines make regularly scheduled landings.

### Sales Tax Exemptions

- Occasional Sale
- Sale for Resale

### Aviation Taxes Dedicated to Aviation

- |                     |     |
|---------------------|-----|
| ▪ Sales/Use Taxes   | Yes |
| ▪ Jet Fuel          | Yes |
| ▪ Aviation Gasoline | Yes |
| ▪ Registration Fees | Yes |



### State Aviation Funding Sources

	<b>2007</b>
Fuel Taxes	\$725,000
Sales Taxes (Registration Fees)	\$425,000
Other	\$2,111,019
General Fund	\$274,000
<b>TOTAL</b>	<b>\$3,535,019.00</b>



## PENNSYLVANIA

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6% state sales & use tax applies to the purchase of an aircraft.
- *Jet Fuel Tax* – \$0.018 per gallon tax
- *Aviation Gasoline Tax* - \$0.041 per gallon tax

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – A commercial operator may purchase an aircraft with payment of tax. (Aircraft leased to a certificated holder are not exempt from this tax)
- *Jet Fuel Tax* – \$0.018 per gallon tax
- *Aviation Gasoline Tax* - \$0.041 per gallon tax

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – aircraft used directly in the rendition of a public utility service are exempt from the tax.
- *Jet Fuel Tax* – \$0.018 per gallon tax
- *Airline Apportioned Taxes* - All business income of railroad, truck, bus or airline companies shall be apportioned to this Commonwealth by multiplying the income by a fraction, the numerator of which is the taxpayer's total revenue miles within this Commonwealth during the tax period and the denominator of which is the total revenue miles of the taxpayer everywhere during the tax period. For purposes of this paragraph revenue mile shall mean the average receipts derived from the transportation by the taxpayer of persons or property one mile. Where revenue miles are derived from the transportation of both persons and property, the revenue mile fractions attributable to each such class of transportation shall be computed separately, and the average of the two fractions weighted in accordance with the ratio of total receipts from each such class of transportation everywhere to total receipts from both such classes of transportation everywhere, shall be used in apportioning income to this Commonwealth.

### Sales Tax Exemptions

- Sale for Resale

### Aviation Taxes Dedicated to Aviation

- |                     |     |
|---------------------|-----|
| ▪ Sales/Use Taxes   | No  |
| ▪ Jet Fuel          | Yes |
| ▪ Aviation Gasoline | Yes |

### State Aviation Funding Sources

	2007
Fuel taxes	\$9,000,000
Bonds	\$5,000,000
<b>TOTAL</b>	<b>\$14,000,000.00</b>



## **SOUTH DAKOTA**

### **Taxes Imposed on Aviation**

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – Aircraft are subject to a “registration tax” of 4%
- *Jet Fuel Tax* – \$0.04 per gallon excise tax
- *Aviation Gasoline Tax* - \$0.06 per gallon excise tax
- *Aircraft Registration Fees* – There is an annual registration fee based on the age and weight of the aircraft.
  - *Any aircraft used in South Dakota for more than 90 days will be required to pay South Dakota taxes and/or registration fees.*

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.
- *Any aircraft used in South Dakota for more than 90 days will be required to pay South Dakota taxes and/or registration fees.*

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – Aircraft are subject to a “registration tax” of 4%
- *Jet Fuel Tax* – \$0.04 per gallon excise tax
- *Aviation Gasoline Tax* - \$0.06 per gallon excise tax
- *Aircraft Registration Fees* – There is an annual registration fee based on the age and weight of the aircraft.
  - *Any aircraft used in South Dakota for more than 90 days will be required to pay South Dakota taxes and/or registration fees.*

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – Aircraft engaged in regularly scheduled flying consisting of an act of interstate or foreign commerce are exempt from these taxes.
- *Jet Fuel Tax* – \$0.04 per gallon excise tax
- *Airline Flight Property Tax* – The Department of Revenue and Regulation is responsible for assessing flight property (aircraft) of airline companies operating within the State of SD. Airline companies subject to the property tax must be engaged in the operation of owned or leased aircraft for hire in interstate or international transportation on regularly scheduled flights.

### **Sales Tax Exemptions**

- Sale for Resale
- Flyaway

### **Aviation Taxes Dedicated to Aviation**

- |                             |     |
|-----------------------------|-----|
| ▪ Excise Taxes              | Yes |
| ▪ Jet Fuel                  | Yes |
| ▪ Aviation Gasoline         | Yes |
| ▪ Aircraft Registration Fee | Yes |



### State Aviation Funding Sources

	<b>2007</b>
Fuel Taxes	\$411,000
Registration Fees & Excise Taxes	\$700,000
<b>TOTAL</b>	<b>\$1,111,000.00</b>



## TEXAS

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – the 6.25% state sales & use tax applies to the purchase of an aircraft.
- *Personal Property Taxes* – the personal property tax is assessed based on the amount of time spent in Texas (number of departures in Texas divided by the number of total departures)

#### Fractional Aircraft (Part 91 Subpart K)

- Fractional aircraft are considered commercial aircraft and are therefore not subject to the state sales taxes.
- The county personal property taxes may apply depending on the county and the amount of time spent in the state.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – an aircraft sold to a person using the aircraft as a certificated or licensed carrier of persons or property is exempt.
- *Personal Property Taxes* – the personal property tax is assessed based on amount of time spent in Texas (the numerator is the product of 1.5 times the number of revenue departures from Texas and the denominator is the greater of 8,760 or the numerator).

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – an aircraft sold to a person using the aircraft as a certificated or licensed carrier of persons or property is exempt.
- *Personal Property Taxes* – the personal property tax is assessed based on amount of time spent in Texas (the numerator is the product of 1.5 times the number of revenue departures from Texas and the denominator is the greater of 8,760 or the numerator).

### Sales Tax Exemptions

- Occasional Sale
- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- Sales/Use Taxes No
- Personal Property Taxes No

### State Aviation Funding Sources

	2007
Other <sup>4</sup>	\$16,090,490
<b>TOTAL</b>	<b>\$16,090,490.00</b>

<sup>4</sup> This is the undedicated portion of the Highway Fund, which are the vehicle registration fees.



## WISCONSIN

### Taxes Imposed on Aviation

#### Noncommercial General Aviation (Part 91)

- *Sales & Use Taxes* – aircraft are subject to the 5% state sales tax.
- *Jet Fuel Tax* – \$0.06 per gallon excise tax and a \$0.02 per gallon environmental “oil inspection” tax.
- *Aviation Gasoline Tax* - \$0.06 per gallon excise tax and a \$0.02 per gallon environmental “oil inspection” tax.
- *Aircraft Registration Fees* – there are aircraft registration fees based on the weight of the aircraft
  - Aircraft is presumed to be based in this if it is in the state for 30 consecutive days or 60 days in any calendar year.

#### Fractional Aircraft (Part 91 Subpart K)

- There are no specific regulations regarding fractional aircraft.
- Aircraft is presumed to be based in this if it is in the state for 30 consecutive days or 60 days in any calendar year.

#### Commercial General Aviation (Part 135)

- *Sales & Use Taxes* – aircraft sold to persons using such aircraft as certified or licensed carriers or persons or property in interstate or foreign commerce are exempt from this tax.
- *Jet Fuel Tax* – \$0.06 per gallon excise tax and a \$0.02 per gallon environmental “oil inspection” tax.
- *Aviation Gasoline Tax* - \$0.06 per gallon excise tax and a \$0.02 per gallon environmental “oil inspection” tax.
- *Aircraft Registration Fees* – there are aircraft registration fees based on the weight of the aircraft
  - Aircraft is presumed to be based in this if it is in the state for 30 consecutive days or 60 days in any calendar year.

#### Commercial Aviation – Airlines (Part 121)

- *Sales & Use Taxes* – aircraft sold to persons using such aircraft as certified or licensed carriers or persons or property in interstate or foreign commerce are exempt from this tax.
- *Fuel Taxes* – Airline companies are exempt from the excise tax. Any person who purchases more than 1,000,000 gallons in a month is entitled to an allowance of 2 cents per gallon.
- *Ad Valorem Tax* – Air carriers are subject to an annual assessment of their property. However, airlines that have a “hub” in Wisconsin are exempt (Air Wisconsin and Midwest Express)

### Sales Tax Exemptions

- Occasional Sale
- Sale for Resale
- Flyaway

### Aviation Taxes Dedicated to Aviation

- |                              |     |
|------------------------------|-----|
| ▪ Sales/Use Taxes            | No  |
| ▪ Jet Fuel                   | Yes |
| ▪ Aviation Gasoline          | Yes |
| ▪ Aircraft Registration Fees | Yes |
| ▪ Airline Ad Valorem Taxes   | Yes |





## State Aviation Funding Sources

	<b>2007</b>
Fuel Taxes	\$1,522,034
Aircraft Registration Fees	\$591,963
Airline Property Taxes	\$6,708,949
Highway Taxes	\$3,789,354
<b>TOTAL</b>	<b>\$12,612,300.00</b>

# **ATTACHMENT C**

**CONKLIN & de DECKER  
STATE TAX GUIDE FOR GENERAL AVIATION  
(AZ, CA, DE, FL, IL, IA, MI, MN,  
MT, NY, ND, PA, SD, TX, WI)**

## **TASK 2**



## ARIZONA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

5.60%. Arizona imposes a Transaction Privilege Tax (TPT) that differs from the sales tax imposed by most states. The TPT is a tax that is imposed in the privilege of conducting business in the state of Arizona. The tax is levied on the seller, not the purchaser. The seller may pass the burden of the tax onto the purchaser, however, the seller is ultimately liable to Arizona for the tax. The TPT applies to the retail sales of aircraft. In addition, all 15 counties levy a tax. Incorporated municipalities also levy a transaction privilege tax that range approximately from 1% - 3.5%.

*References: (ARS Sec. 42-5010.11, Sec. 43-1317, Pub 616)*

#### **Possible Exemptions**

##### ***Common Carrier: - No***

Aircraft, navigational equipment and related equipment sold to a person holding a Federal certificate of public convenience and necessity, a supplemental air carrier certificate under Federal Aviation Regulations (14 Code of Federal Regulation Part 121) or foreign air carrier permit for air transportation to transport persons or property or United States mail in intrastate, interstate or foreign commerce are exempt from the tax.

*References: (ARS Sec. 42-5061(B)(7)(a), 42-5159(B)(7)(a))*

##### ***Casual/Occasional Sales: - Yes***

Gross receipts from a casual sale, as defined in R15-5-2001, are not taxable under the retail classification.

R15-5-2001 defines a "casual sale" as ..... an occasional transaction of an isolated nature made by a person who is not engaged in the business of selling, within or without the state, the same type or character of property as that which was sold.

*References: (R15-5-102 & R15-5-2312 & 15-5-2001)*

##### ***Related Entity: - Yes***

Gross receipts from the sale of a business as a going concern shall not be taxable if the sale is for the business as an operating enterprise.

The tax shall be computed upon the constructive purchase price when the transaction is between affiliated persons.

*References: (R15-5-103 & R15-5-2010)*

##### ***Fly Away Exemption: - Yes***

No tax applies to the sale of aircraft and related equipment if such property is 1) not used in the state except to remove such property from the state, and 2) sold to persons who are not residents of Arizona. A non-resident is an individual who is not a resident for Arizona income tax purposes or an entity that has no business location or business nexus in Arizona.

*References: (ARS Sec. 42-5061(B)(7)(c) & 42-5159(B)(7)(b), LR 01-003)*

##### ***Trade In Allowance: - Yes***

The dollar amount of the payment represented by the trade-in is deductible from the retailer's gross receipts from that sale.

*References: (R15-5-132 & 42-5001(6))*

##### ***Other:***



## ARIZONA

Credit for taxes paid to another state - The tax levied by this article does not apply to the storage, use or consumption in this state of the tangible personal property the sale or use of which has already been subjected to an excise tax at a rate equal to or exceeding the tax imposed by this article under the laws of another state of the United States. If the excise tax imposed by the other state is at a rate less than the tax imposed by this article, the tax imposed by this article is reduced by the amount of the tax already imposed by the other state.

*References: (ARS 42-5159(A)(2))*

### **Sale for Resale Exemptions: - Yes**

Gross receipts from the sale of tangible personal property to be resold by the purchaser in the ordinary course of business are not taxable under the retail classification. Gross receipts from the sale of tangible personal property to be leased out by a person in the business of leasing such personal property are not taxable under the retail classification.

*References: (R15-5-101, ARS 42-5061(V)(3) & R15-5-2309 & Form 5000A)*

### **LEASES:**

5.60%. The Transaction Privilege Tax is imposed on the business of leasing or renting of tangible personal property for a consideration with or without crew. However, leases or rentals of an aircraft, which, if it had been purchased instead of leased or rented by the lessee, would have been exempt under the common carrier exemption, are exempt from the tax on the lease payments.

*References: (ARS Sec. 42-5071 & ARS 42-5062)*

### **PARTS:**

5.60%. Retail sales of aircraft parts are subject to the TPT.

### **Exemptions 1: - Yes**

Machinery, tools, equipment and related supplies used or consumed directly in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts by or on behalf of a certificated or licensed carrier of persons or property are exempt from the tax.

*References: (ARS Section 42-5061(B)(7 & 8))*

### **LABOR:**

5.60%.

### **Exemptions 1: - Yes**

Services rendered in addition to selling tangible personal property at retail are exempt. However, books need to be kept so as to show separately the gross proceeds of sales of tangible personal property and the gross income from sales of services.

*References: (ARS Sec. 42-5061(A)(2) & 42-5061(H))*

### **AIRCRAFT REGISTRATION FEES -- Yes**

The aircraft registration fee is \$5.

*References: (ARS Sec. 28-8325)*

### **PERSONAL PROPERTY TAX -- No**

Unscheduled aircraft pay the aircraft registration fee in lieu of the personal property tax.

### **AIRCRAFT ANNUAL LICENSE TAX -- Yes**

## ARIZONA

The annual license tax is imposed on all aircraft required to be registered within the state. This license tax is one-half percent of the average fair market value of the aircraft. If a nonresident has an aircraft in the state for more than 90 consecutive days or more than 90 days in any one calendar year, that aircraft will be required to be registered and will be subject to the license tax. The license tax for a nonresident whose aircraft is based in this state for more than ninety days but less than 210 days in a calendar year is equal to one-tenth of one percent of the average fair market value of the particular make, model and year of aircraft if the aircraft is not engaged in any intrastate commercial activity.

The annual license tax for a maintenance aircraft owned by a non-resident is \$20 for each aircraft. To qualify for the exemption, the nonresident owner or representative shall annually file a sworn affidavit on a form provided by the department with the department not later than the last day of February or within 90 days after the maintenance aircraft enters this state. For purposes of this section "maintenance aircraft" means an aircraft that is not based in this state but is present in this state solely for the purpose of maintenance, repair, or servicing at a Federal certified maintenance facility.

*References: (ARS Sec 28-8335, ARS 8322(D)(2), ARS 28-8336 and ARS 28-8341)*

### **JET FUEL TAX ARS Sec. 42-5352(A)**

Excise Tax = \$0.0305

Sales Tax = N/A

Exemptions = The Federal government and the U.S. Military are exempt from 50 percent of the excise tax on jet fuel. This tax is on the first ten million gallons of fuel purchased.

### **AVIATION GASOLINE TAX (ARS Sec. 28-8344(A))**

Excise Tax = \$0.0500

Sales Tax = N/A

Exemptions = Aerial applicators are entitled to a refund of the aviation gasoline tax by submitting a request form and documentation of purchase.

### **STATE AVIATION TRUST FUND -- Yes**

#### **Dedication of Taxes**

Jet Fuel	No
Aviation Gasoline	Yes
Aircraft Registration Fee	Yes
Personal Property Tax	No
Sales Taxes	No

### **CONTACT INFORMATION**

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## CALIFORNIA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

7.25%. The standard statewide sales and use tax rate in California is 7.25 percent. District taxes are additional and range from .5 percent to 1.50 percent. Currently the overall sales and use tax rate in California ranges from 7.25 percent to 8.75 percent.

*References: (Rev & Tax Code Sec 6051, 6051.2, 6051.3, 6201, 6201.2, 6201.3, 7202(a) and Section 35 Article XIII)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

Aircraft sold to any person using the aircraft as a common carrier of persons or property are exempt from the tax. (Revenue & Tax Code Sec 6366) With respect to aircraft sold on or after January 1, 1997, it shall be presumed that a person is not using the aircraft as a common carrier of persons or property if the person's yearly gross receipts from the use of the aircraft as a common carrier do not exceed 20 percent of the purchase price of the aircraft or \$50,000, whichever is less. (Revenue & Tax Code 6366(3)(b) & Regulation 1593) If the aircraft is used as a common carrier for more than one-half of the operational use during the test period, the carrier's principal use of the aircraft will be deemed to be that of a common carrier. Gross receipts do not include compensation paid by the owner or related parties for use of the aircraft as a common carrier. (Regulation 1593(b)(1)(A))

*References: (Revenue & Tax Code 6366 & 6366(3)(b) and Regulations 1593, 1593(c)(1)(B) & 1593(b)(1)(A))*

##### ***Casual/Occasional Sales: - Yes***

There are exempted from the sales and use taxes the gross receipts from the sale of and the storage, use or other consumption in this state of an aircraft, when either of the following occurs -

- 1) The person selling the property is either the parent, grandparent, child, grandchild, or spouse or the brother or sister is the sale between that brother and sister is between two minors related by blood or adoption, of the purchaser, and the person selling is not engaged in the business of selling the type of property for which the exemption is claimed.
- 2) The sale is to a revocable trust in which all the following occur: (i) the seller has an unrestricted power to revoke the trust, (ii) the sale does not result in any change in the beneficial ownership of the property, (iii) the trust provides that upon revocation the property will revert wholly to the seller, and (iv) the only consideration for the sale is the assumption by the trust of an existing loan for which the tangible personal property being transferred is the sole collateral for the assumed loan.

*References: (Revenue & Tax Code Chapter 3.5, Article 2, Sec 6285)*

##### ***Related Entity: - Yes***

There are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of aircraft, when such property is included in any transfer of all or substantially all the property held or used in the course of business activities of the person selling the property, and when after such transfer the real or ultimate ownership of such property is substantially similar to that which existed before such transfer. For the purpose of this section, stockholders, bondholders, partners, or other persons holding an interest in a corporation or other entity are regarded as having the "real or ultimate ownership" of the property of that corporation or other entity.

*References: (Revenue & Tax Code Sec 6281)*



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### ***Fly Away Exemption: - Yes***

Aircraft sold to any person who is not a resident of this state who will not use that aircraft in this state other than in the removal of the aircraft from this state and any foreign government for use by that government outside this state are exempt from the tax. A nonresident will be considered as not using the aircraft other than to remove the aircraft from California if the aircraft is promptly removed from the state and not returned to California within 12 months after its removal from this state.

*References: (Revenue & Tax Code 6366(a)(1) & 1593(c)(G)(3))*

### ***Trade In Allowance: - No***

"Sales Price" means the total amount for which personal property is sold or leased or rented, including any amount for which the seller gives credit to the purchaser.

*References: (Revenue & Tax Code Sec 6011(b)(2) & 6012(b)(3) and Regulation 1653.18 CCR)*

### ***Other:***

12 Month Rules - From October 2, 2004 thru June 30, 2007 (SB 1100 extended this date from June 30, 2006 to June 30 2007), any vehicle, vessel or aircraft purchased outside of California and brought into the state within 12 months from the date of its purchase is presumed to be acquired for storage, use or other consumption in CA and subject to tax if any of the following occur:

- the aircraft was purchased by a California resident as defined in Section 516 of the CA Vehicle Code, or
- in the case of an aircraft the aircraft was subject to property taxation in CA during the first 12 months of ownership, or
- the aircraft is used or stored in CA for more than one-half of the time during the first 12 months.

Interstate or Foreign Commerce - If a purchaser claims that an aircraft which enters CA within 12 months from the date of its purchase was not purchased for use in CA because of its use in interstate or foreign, the use may qualify for exclusion from tax. If the aircraft is first functionally used outside of CA and one-half or more of the nautical miles traveled or flight time traveled, during the 6-month period immediately following its entry into the state are commercial miles traveled or commercial flight time traveled in interstate or foreign commerce, the use of the property in CA is excluded from use tax.

2008 LEGISLATIVE UPDATE - On January 8, CA Gov. Arnold Schwarzenegger noted that the budget that he will submit on Jan. 10, will not raise taxes despite a projected deficit next year of \$14 billion. Instead the budget will cut spending across the board. (State of State address, Office of CA Governor Arnold Schwarzenegger, January 8, 2008)

*References: (Regulations 1620(b)(3 & 4) & SB 1100)*

### ***Sale for Resale Exemptions: - Yes***

For the purpose of the proper administration of this part and to prevent evasion of the use tax and the duty to collect the use tax, it shall be presumed that tangible personal property sold by any person for delivery in this State is sold for storage, use or other consumption in this State until the contrary is established. The burden of proving the contrary is upon the person who makes the sale unless he takes from the purchaser a certificate to the effect that the property is purchased for resale.

*References: (Revenue & Tax Code Section 6241))*

### **LEASES:**

7.25%. Where a contract designated as a lease binds the lessee for a fixed term and the lessee is to obtain title at the end of the term upon the completion of the required payment or has the option at that time to purchase the property to a nominal amount, the contract shall be regarded as a sale under a security agreement from its inception and not as a





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lease.

However, lessors are considered to be consumers of mobile transportation equipment they lease. They have the option to report their tax liability based on "fair rental value" or to accrue and pay use tax timely on the purchase price of the equipment.

*References: (Revenue & Tax Code 6006.3 & Publication 46)*

### **PARTS:**

7.25%. plus local taxes.

### **Exemptions 1: - Yes**

Tangible personal property that becomes a component part of an aircraft that operates as a common carrier of persons or property is exempt from the tax.

An aircraft is not presumed to have been purchased for use in CA and is therefore not presumed to be subject to use tax, if the aircraft is brought into CA within the first 12 months of ownership for the limited purpose of repair, retrofit or modification, provided that not more than 25 hours of air time in CA is logged for incidental or other use.

*References: (Regulation 1593(b))*

### **LABOR:**

7.25%. plus local taxes

### **Exemptions 1: - Yes**

In California, repair and installation labor are not subject to sales or use tax.

*References: (Revenue & Tax Code Section 6011(c)(3))*

### **Exemptions 2: - No**

Fabrication labor and assembly labor are subject to sales and use tax.

*References: (Regulations 1546 & 1551)*

### **AIRCRAFT REGISTRATION FEES -- No**

### **PERSONAL PROPERTY TAX -- Yes**

All property located in California is assessable unless specifically exempted. Since aircraft are not exempt, they are assessable and subject to property tax. General aviation aircraft are taxed where they are habitually located as the same rate as all other taxable personal property.

Effective Fiscal Year 2007-2008 California Senate Bill 87 creates a system for assessing property tax on fractionally owned aircraft. This may also be applied retroactively.

*References: (Revenue & Tax Code Section 5301-5456)*

### **JET FUEL TAX Revenue & Tax Code Sec 7392 & 7380**

Excise Tax = \$0.0200

Sales Tax = 7%

Exemptions = Section 7389 - The following are exempt from the excise tax -



## CALIFORNIA

- (a) A common carrier by air engaged in the business of transporting persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the authority of the laws of this state, of the United States, or of any foreign government
- (b) A person engaged in the business of constructing or reconstructing by manufacture or assembly of completed aircraft or modifying overhauling, repairing, maintaining or servicing of aircraft
- (c) The armed forces of the United States

Neither the sales tax nor the use tax applies to the sale or use of aircraft fuel sold to an air common carrier for immediate consumption or shipment in its business as an air common carrier on a flight whose final destination is a foreign destination (1598(b)(2))

### **AVIATION GASOLINE TAX (Revenue & Tax Sec 7360 & Regulation 1137(a) & 7351(a)(5))**

Excise Tax = \$0.1800

Sales Tax = No

Exemptions = The tax only applies to general aviation.

### **STATE AVIATION TRUST FUND -- Yes**

#### **Dedication of Taxes**

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	N/A
Personal Property Tax	No
Sales Taxes	No

### **CONTACT INFORMATION**

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## DELAWARE

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- No**

#### **SALES:**

0.384%. Delaware does not impose a state sales tax or compensating use tax. Delaware does impose a gross receipts tax on the total consideration received by a wholesaler for goods physically delivered within the state to the purchaser or his agent.

*References: (Tax Tips for Wholeseller's Bulletin & Title DC Section 2902(b)(c)(2))*

#### **Possible Exemptions**

##### ***Common Carrier: - No***

There are no specific exemptions for aircraft engaged as common carriers.

*References: (Tax Tips for Wholeseller's Bulletin)*

##### ***Casual/Occasional Sales: - No***

There is no specific casual sales exemption other than what is stated under "related entity".

*References: (Tax Tips for Wholeseller's Bulletin)*

##### ***Related Entity: - Yes***

The gross receipts tax does not apply to transactions between closely held firms. To qualify, the subject firms must be 80% owned by the same five or fewer shareholders, or 100% owned by the same family.

*References: (Tax Tips for Wholeseller's Bulletin)*

##### ***Fly Away Exemption: - No***

Goods delivered by the retailer outside the state and for which the retailer can provide proof satisfactory to the State Tax Department that an out-of-state retail tax has been paid to such state are exempt from this tax.

*References: (Section 2909(d) & Tax Tips for Wholeseller's Bulletin)*

##### ***Trade In Allowance: - Yes***

The gross receipts tax does not apply to like kind exchanges.

*References: (Tax Tips for Wholeseller's Bulletin)*

##### ***Other:***

Effective February 1, 2003 the gross receipts received from the sale of aircraft having a certified takeoff weight of 12,500 pounds or more are exempt from the retail and wholesale gross receipts taxes. "Certified takeoff weight" means the maximum weight contained in the type certificate of airworthiness certificate.

*References: (Technical Information Memorandum 2004-01 (SB 3))*

##### **Sale for Resale Exemptions: - Yes**

The lessor of tangible personal property is required to obtain a business license -- \$75 for the first location and \$25 for each additional location -- that must be renewed annually on or before December 31st of each year. Additionally, a gross receipts is levied at the rate of .288% (.00288) on the amount of rental income received from the leased property. The first \$150,000 of rents received per quarter are exempt from the gross receipts tax.

*References: (Tax Tips for Lessor's of Tangible Personal Property)*

#### **LEASES:**

## DELAWARE

1.536%. Effective January 1, 2006 the lease of tangible personal property is subject to a use/lease tax at the rate of 1.536 percent which is imposed on the Lessee and collected and remitted by the Lessor.

*References: (Sections 4301 & 4302 and Tax Tips for Lessor's of Tangible Personal Property)*

### **PARTS:**

0.384%.

### **Exemptions 1: - No**

Gross receipts are not reduced by the cost of materials.

*References: (Tax Tips for Wholeseller's)*

### **LABOR:**

0.384%.

### **Exemptions 1: - No**

Gross receipts are not reduced by the cost of labor.

*References: (Tax Tips for Wholeseller's)*

### **AIRCRAFT REGISTRATION FEES -- No**

### **PERSONAL PROPERTY TAX -- No**

No county or other political subdivision of the state shall levy, assess or collect any tax upon personal property, whether tangible or intangible.

*References: (9 DC Section 8103)*

### **JET FUEL TAX**

Excise Tax = No

Sales Tax = No

Exemptions = No

### **AVIATION GASOLINE TAX (Section 5110(3)(c) & 5120(a)(1))**

Excise Tax = \$0.2300

Sales Tax = No

Exemptions = The Military & National Guard are exempt from the excise tax on aviation gasoline. All tax is refundable upon submission of Refund Claim Form MFT-4 and original fuel purchase invoices, within on year of purchase.

### **STATE AVIATION TRUST FUND -- No**

#### **Dedication of Taxes**

Jet Fuel	N/A
Aviation Gasoline	No
Aircraft Registration Fee	N/A
Personal Property Tax	N/A
Sales Taxes	No

## DELAWARE

### CONTACT INFORMATION

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## FLORIDA

### SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes

#### SALES:

6%. The state sales tax is imposed at the rate of 6 percent of the sales price of each item or article of tangible personal property when sold at retail in this state, computed on each taxable sale for the purpose of remitting the amount of tax due the state. In addition, local discretionary sales surtaxes, ranging from .5% - 1.5% may be imposed only on the first \$5,000 of the sales price of an item of tangible personal property.

*References: (F.S. Section 212.05(1)(a) & 212.054(2)(b)(1))*

#### Possible Exemptions

##### **Common Carrier: - Yes**

1) An air carrier utilizing mileage apportionment for corporate income tax purposes may elect to be subject to the sales tax on a ratio of Florida revenue miles.

2) The sale of an aircraft of more than 15,000 pounds maximum certified takeoff weight for use by a common carrier is exempt from the tax imposed by this chapter. As used in this paragraph, "common carrier" means an airline operating under FAA regulations contained in Title 14, Chapter I, Part 121 or Part 129 of the Code of Federal Regulations.

*References: (FS Section 212.0598 & Section 212.08(7)(ss) & 12A-1.007(2)(a))*

##### **Casual/Occasional Sales: - No**

The isolated/casual sales exemptions does not apply to the sale of aircraft.

*References: (Rule 12A-1.037(2)(a) & FS Section 212.05(1)(a)(1.b))*

##### **Fly Away Exemption: - Yes**

An aircraft may be sold tax exempt to a purchaser

1) If delivery is accepted outside the State of Florida, provided a notarized statement is executed by the seller and buyer. The burden of obtaining this evidential matter rests with the seller, who must retain the proper documentation to support the exempt sale, or

2) When a nonresident purchaser removes an aircraft from this state within 10 days after the date of purchase, when the sale is by or through a "REGISTERED DEALER", or the aircraft is removed within 20 days of any repair work, the tax is not due

3) The sale by a manufacturer of flyable aircraft, to a nonresident purchaser who will not use the aircraft in this state or will use the aircraft in interstate or foreign commerce, is taxed in an amount equal to the sales tax which would be imposed on such sale under the laws of the state in which the aircraft will be domiciled.

*References: (Rule 12A-1.007(10)(f) & FS 212.05(1)(a)2.a & c, FS Section 212.08(11))*

##### **Trade In Allowance: - Yes**

Any trade-in of tangible personal property shall be excluded (deducted) from the gross sales price and only the net sales price shall be subject to tax if the sale and trade-in are one transaction, accepted by any person registered with the Department of Revenue as a dealer to engage in the business of selling aircraft and intended for resale by such dealer.

*References: (Rule 12A-1.007(1)(b)1 & FS 212.09)*



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### **Other:**

Special Exemptions for "Qualified Aircraft" effective July 1, 2006.

"Qualified Aircraft" means any aircraft having a maximum certified takeoff weight of less than 10,000 pounds and equipped with twin turbofan engines that meet Stage IV noise requirements that is used by a business operating as an on-demand air carrier under FAR Title 14, Chapter I, Part 135, Code of Federal Regulations, that owns or leases and operates a fleet of at least 25 of such aircraft in this state. (NOTE: "or leases" was added effective July 1, 2007)

FS 212.0801 describes in more detail what you need to do to be eligible for the exemptions under 212.08(7).

*References: (FS Section 212.02(33), FS Section 212.0801)*

### **Sale for Resale Exemptions: - Yes**

If you lease taxable tangible personal property to someone else, you are required to register as a dealer, prior to the acquisition of the aircraft, and collect sales tax on the lease payments.

*References: (Rule 12A-1.071(2)(a)1,)*

### **LEASES:**

6%. 1) A transaction under which a person secures for a consideration the temporary use of tangible personal property, that is operated by or under the direction or control of the person or his employees, is subject to tax.

2) Lease of aircraft without crew is subject to tax.

3) The lease of a qualified aircraft or an aircraft of more than 15,000 pounds maximum certified takeoff weight for use by a "common carrier" is exempt from the tax imposed by this chapter. As used in this paragraph, "common carrier" means an airline operating under FAA regulations contained in Title 14, Chapter I, Part 121 or Part 129 of the Code of Federal Regulations.

*References: (Rule 12A-1.071(1)(a), Rule 12A-1.071(20), FS Sect 212.08(7)(ss) Effective 7/1/06 "Qualified A/C) exe)*

### **PARTS:**

6%. plus local

### **Exemptions 1: - Yes**

There shall be exempt from the tax imposed by this chapter, replacement engines, parts and equipment used in the repair or maintenance of "Qualified Aircraft" aircraft of more than 15,000 pounds maximum certified takeoff weight and rotary wing aircraft of more than 10,300 maximum certified takeoff weight, when such parts or equipment are installed on such aircraft that is being repaired and maintained in this state.

*References: (FS Section 212.08(7)(rr), Effective 7/1/06 "Qualified Aircraft" will be exempt)*

### **LABOR:**

6%. Plus local.

### **Exemptions 1: - Yes**

There shall be exempt from the tax imposed by this chapter, all labor charges for the repair and maintenance of "qualified aircraft", aircraft more than 15,000 pounds maximum certified takeoff weight and rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight.

## FLORIDA

*References: (FS Section 212.08(7)(ee) Effective 7/1/06 Qualified Aircraft will be exempt)*

### AIRCRAFT REGISTRATION FEES -- No

### PERSONAL PROPERTY TAX -- No

There are no personal property taxes.

*References: (Florida Constitution Article VII, s.1(a)(b))*

### JET FUEL TAX FS Section 206.9825

Excise Tax = \$0.0690

Sales Tax = N/A

Exemptions = The Federal government, the U.S. Military and bonded export or international operations are exempt from the excise tax.

### AVIATION GASOLINE TAX (FS Section 206.9825)

Excise Tax = \$0.0690

Sales Tax = N/A

Exemptions = The Federal government, the U.S. Military and bonded export or international operations are exempt from the excise tax.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	N/A
Personal Property Tax	No
Sales Taxes	No

### CONTACT INFORMATION

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## ILLINOIS

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

6.25%. The statewide rate is 6.25 percent. However, effective July 1, 2008, additional tax assessed by local governments may raise the rate as high as 10.25 percent. The applicable local rate is based on the location where the purchase order is signed.

*References: (86 IL Administrative Code 130.101)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

This is a "rolling stock" exemption....the sale to or purchase by a certified carrier that will use the aircraft to haul persons or commodities for hire in interstate commerce on a regular and frequent basis, are exempt. Purchasers of vehicles must document their tax-exempt purchases by completing FORM RUT-7.

*References: (86 IL Administrative Code 130.340)*

##### ***Casual/Occasional Sales: - No***

Effective July 1, 2003 the acquisition of an aircraft by gift, donation, transfer or non-retail purchase will be subject to taxation.

*References: (86 IL Admin Code 130.110)*

##### ***Related Entity: - No***

There are no specific exemptions, see casual sales exemption.

##### ***Fly Away Exemption: - Yes***

Effective July 1, 2007 the Use Tax Act now provides a tax exemption for the use of aircraft that (i) leave this State after the purchase of the aircraft; (ii) that are temporarily located in this State for the purpose of a prepurchase evaluation; or (iii) are temporarily in this State for a post-sale customization. It also amended the Retailer's Occupation Tax Act to provide a tax exemption for the sale of aircraft that leave this State within 15 days after the purchase of the aircraft or the authorized approval for return to service, completion of maintenance record entry, and completion of the test flight and ground test for inspection. SB 0455 and Public Act 095-0304.

In addition, the tax does not extend to gross receipts from sales in which the seller is obligated, under the terms of his agreement with the purchaser, to make physical delivery of the goods from a point in this State to a point outside this State, not to be returned to a point within this State, provided that such delivery is actually made.

*References: (Title 86 Section 130.605(b), FORM RUT 60)*

##### ***Trade In Allowance: - Yes***

The selling price does not include the value of, or credit given. Trade-ins are of like kind and character as the property that is being sold.

*References: (Title 86 Section 130.425 & 130.455)*

##### ***Other:***

The sale or purchase of an aircraft by an organization, corporation, society or other entity that has been issued an "E" exemption number by the Department, authorizing them to purchase merchandise sale tax free for the benefit and use of the exempt entity.



## ILLINOIS

Aircraft Use Tax. If the Illinois tax was already paid then you are exempt from this tax. This tax is a backstop to the sales and use taxes.

*References: (Title 86 Section 130.2005 & FORM RUT 75)*

### **Sale for Resale Exemptions: - No**

The sale of tangible personal property to a purchaser who will act as a lessor of tangible personal property is a sale at retail and is subject to the Retailer's Occupation Tax.

*References: (Title 86 Section 130.220)*

### **LEASES:**

6.25%. Plus local taxes. Sales to or purchases of aircraft by a lessor who has entered into a lease agreement with a qualifying carrier for use as rolling stock or who will lease the aircraft to a unit of state, Federal or local governments, can purchase the aircraft tax exempt.

*References: (86 IL Admin Code 130.340)*

### **PARTS:**

6.25%. Plus local taxes.

### **Exemptions 1: - Yes**

Parts installed on aircraft considered to be "rolling stock" are exempt from the tax.

*References: (Title 86 Section 130.340)*

### **LABOR:**

6.25%.

### **Exemptions 1: - Yes**

Charges for labor incidental to the performance of repair or service of aircraft are not subject to sale or use tax, when separately stated on the invoice.

*References: (Title 86 Section 130.450)*

### **AIRCRAFT REGISTRATION FEES -- Yes**

There is a biennial aircraft registration fee of \$20 per aircraft, regardless of size.

*References: (Form AER 2048)*

### **PERSONAL PROPERTY TAX -- No**

*References: (Form AER 2048)*

### **JET FUEL TAX 86 IL Adm Code 130-101 & 35 ICLS 505/2a**

Excise Tax = \$0.0030

Sales Tax = 6%

Exemptions = The federal government, state and local governments, the U.S. Military, international flight operations and certain charitable flight operations are exempt from the sales tax. There is also an environmental impact fee of \$.008, that was due to be repealed on January 1, 2003

### **AVIATION GASOLINE TAX (86 IL Adm Code 130-101 and 35 ILCS 505/2a)**



## ILLINOIS

Excise Tax = \$0.0030

Sales Tax = 6%

Exemptions = The Federal government, state and local governments, the U.S. Military, international flight operations and certain charitable flight operations are exempt from the sales tax. There is also an environmental impact fee of \$.008, that was due to be repealed in January 1, 2003.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration Fee	Yes
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

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#### Department of Aeronautics

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## IOWA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

5%. Effective July 1, 2008 the excise tax that is imposed on the "use" in this state of tangible personal property, including aircraft subject to registration under section 328.20, purchased for use in this state, has increased to 6 percent (6%) of the purchase price of the property. Some cities and unincorporated areas of some counties, impose a local option tax of up to 1%.

*References: (Sec 423.2.1 & 423.5.1)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

Aircraft used in a scheduled interstate federal aviation administration certificated air carrier operation, are exempt from the tax.

*References: (Sec 423.6.19)*

##### ***Casual/Occasional Sales: - No***

On or after July 1, 1988, the casual sale of aircraft is taxable.

*References: (Rule 701-18.28(1), 423.3(39)(b) & Publication 78539)*

##### ***Related Entity: - No***

There are special rules for casual sales involving the liquidation of a trade or business, however, the casual sale of an aircraft is taxable.

*References: (Rule 701-18.28(2))*

##### ***Fly Away Exemption: - Yes***

The use tax applies to aircraft that are required to be registered in the state. Aircraft are required to be registered if they are operated or otherwise controlled within the state for a period of more than 30 days.

*References: (Sec 432.2 & 328.20)*

##### ***Trade In Allowance: - Yes***

"Purchase Price" means the total amount for which tangible personal property is sold, valued in money, whether paid in money or otherwise; provided that in transactions in which tangible personal property is traded toward the purchase price of other tangible personal property the purchase price is only that portion of the purchase price which is payable in money to the retailer if the following conditions are met:

- 1) The tangible personal property traded to the retailer is the type of property normally sold in the regular course of the retailer's business;
- 2) The tangible personal property traded to the retailer is intended by the retailer to be ultimately sold at retail or is intended to be used by the retailer or another in the remanufacturing of a like item.

*References: (Sec 423.1(6))*

##### ***Sale for Resale Exemptions: - Yes***

This is limited exemption.

Aircraft sold to an aircraft dealer who in turn rents or leases the aircraft if all of the following apply:

- a. The aircraft is kept in the inventory of the dealer for sale at all times.
- b. The dealer reserves the right to immediately take the aircraft from the renter or lessee when a buyer is found.



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c. The renter or lessee is aware that the dealer will immediately take the aircraft when a buyer is found.

If an aircraft exempt under this subsection is used for any purpose other than leasing or renting, or the conditions in paragraphs "a", "b", and "c" are not continuously met, the dealer claiming the exemption under this subsection is liable for the tax that would have been due except for this subsection. The tax shall be computed upon the original purchase price.

*References: (Rule 701-18.49(4) & Code 423.6(21) & 423.3(77))*

### LEASES:

5%. The lease or rental of all tangible personal property is subject to the tax.

*References: (Rule 701-18.36)*

### PARTS:

5%.

### Exemptions 1: - Yes

Tangible personal property permanently affixed or attached as a component part of the aircraft, including, but not limited to repair or replacement parts; and all services used for aircraft repair, remodeling and maintenance services when such services are performed on aircraft, aircraft engines or aircraft component materials or parts are exempt from the tax. For purposes of this exemption, "aircraft" means aircraft used in a scheduled and non-scheduled interstate FAA certified air carrier operation under 14 CFR Part 135.

*References: (Sec 423.6 (19) & (20))*

### LABOR:

5%.

### Exemptions 1: - Yes

Tangible personal property permanently affixed or attached as a component part of the aircraft, including, but not limited to repair or replacement materials or parts; and all services used for aircraft repair, remodeling, and maintenance services when such services are performed on aircraft, aircraft engines, or aircraft component parts, are exempt from the tax. For purposes of this exemption, "aircraft" means aircraft used in scheduled and non-scheduled interstate FAA certified air carrier operation under 14 CFR Part 135.

*References: (Sec 423.6 (19) & (20))*

### AIRCRAFT REGISTRATION FEES -- Yes

Aircraft are required to be registered if they are operated or otherwise controlled within the state for a period of more than 30 days. Effective July 1, 1998 the aircraft registration fees are as follows:

YEAR	FEE
1st Registration	1% of manufacturer's list price, not to exceed \$5000
2nd year	.75 of 1% of manufacturer's list price
3rd year	.50 of 1% of manufacturer's list price
4th year	.25 of 1% of manufacturer's list price

When an aircraft other than a new aircraft is registered in Iowa, the registration fee shall be based upon the number of years the aircraft was previously registered. However, an aircraft shall not be registered for a fee less than \$35 or

## IOWA

more than \$5000.

The registration fee for an aircraft operated in scheduled interstate airline operation, owned by an Iowa person and operated part-time in the state shall be \$100.

The registration fee for a helicopter used exclusively as an air ambulance is \$1,000.

An aircraft 30 years or older, which is used exclusively for non-commercial purposes, shall be registered as an antique aircraft for a fee of \$35.

An aircraft owned and operated by an aviation business located at a publicly owned, public use airport and providing, under agreement with the governing body of the airport, a specified minimum level of aviation services to the general public, shall be registered for a fee of \$100,

*References: (Sec 328.20 & 328.21 and Form 300028)*

### PERSONAL PROPERTY TAX -- No

The registration fees are in lieu of all taxes, general or local, except state sales or use taxes.

*References: (Sec 328.25)*

### DEALER/BROKER FEES

\$100 per year.

*References: (328.20 and Form 300066)*

### JET FUEL TAX Sec 452A.2(2)(a)

Excise Tax = \$0.0300

Sales Tax = No

Exemptions = Government owned aircraft are exempt from the excise tax.

### AVIATION GASOLINE TAX (Sec 452A.3(3))

Excise Tax = \$0.0800

Sales Tax = No

Exemptions = Government owned aircraft are exempt from the excise tax.

### STATE AVIATION TRUST FUND -- No

#### Dedication of Taxes

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration Fee	No
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

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## IOWA

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## MICHIGAN

### SALES/USE TAXES -- Yes      LOCAL TAXES -- No

#### SALES:

6%. There is levied upon and there shall be collected from every person in this state a specific tax for the privilege of using, storing or consuming tangible personal property in this state at a rate equal to 6 percent of the price of the property or services. NOTE: Governor's Tax Restructuring Proposal for FY '08 proposes a sales tax break for vehicles traded in and a 2% use tax on services to include repair and maintenance service.

*References: (Admin Rule 205.93)*

#### Possible Exemptions

##### **Common Carrier: - Yes**

The storage, use or consumption of an aircraft by a domestic air carrier for use solely in transport of air cargo, passengers, or a combination of air cargo and passengers, that has a maximum certificated take off weight of at least 6,000 pounds is exempt from sales/use tax. For purposes of this subdivision, the term "domestic air carrier" is limited to a person primarily in the commercial transportation for hire of air cargo, passengers, or a combination of air cargo and passengers as a business activity. The State Treasurer shall estimate on January 1 each year the revenue lost by this act from the School Aid Fund and deposit that amount into the School Aid fund from the General Fund.

The storage, use, or consumption of an aircraft by a person who purchases the aircraft for subsequent lease to a domestic air carrier operating under a certificate issued by the FAA under 14 CFR Part 121, for use solely in the regularly scheduled transport of passengers, is exempt from sales/use taxes.

*References: (Sec 205.94(1)(u) and (v) MCL and MCL 205.54x)*

##### **Casual/Occasional Sales: - Yes**

"Sale at retail" does not include an isolated transaction by a person not licensed or required to be licensed under this act, in which tangible personal property is offered for sale, sold, transferred, and delivered by the owner.

*References: (Sec. 205.51(1)(g) MCL)*

##### **Related Entity: - Yes**

The following transfers or purchases are not subject to use tax: a) A transaction or a portion of a transaction if the transferee or purchaser is the spouse, mother, father, brother, sister, child, stepparent, stepchild, stepbrother, stepsister, grandparent, grandchild, legal ward or a legally appointed guardian with a certified letter of guardianship, of the transferor; b) A transaction or a portion of a transaction if the transfer is a gift to a beneficiary in the administration of an estate; c) If a vehicle, ORV, mobile home, aircraft, snowmobile or watercraft that has once been subjected to the Michigan sales or use tax is transferred in connection with the organization, reorganization, dissolution, or partial liquidation of a incorporated or unincorporated business and the beneficial ownership is not changed.

*References: (Sec 205.93(3)(3)(c))*

##### **Fly Away Exemption: - Yes**

The tax levied under this act does not apply to the sale of an aircraft temporarily located in this state for the purpose of prepurchase evaluation or the purpose of prepurchase evaluation and postsale customization if all of the following conditions are satisfied -

(a) The aircraft leaves this state within 15 days after authorized approval for final return to service, completion of the maintenance record entry and completion of the test flight and ground test for inspection as required under 14 CFR 91.407, and





## MICHIGAN

(b) The aircraft was not based in this state or registered in this state before the prepurchase evaluation or prepurchase evaluation and postsale customization are completed and the aircraft is not based in this state or registered in this state after the prepurchase evaluation or prepurchase evaluation and postsale customization are completed.

Effective February 9, 2006

*References: (MCL 205.94k Section 4K(3)(a) & (b) and MCL 205.54x Section 4x(3)(a) & (b))*

### **Trade In Allowance: - No**

"Gross proceeds" means the amount received in money, credits, subsidies, property or other money's worth in consideration of a sale at retail within this state, without a deduction for the cost of the property sold, the cost of the material used, the cost of the labor or service purchased, an amount paid for interest or a discount, or other expenses. The tax applies to the full selling price.

*References: (Sec 205.51(1)(i) MCL)*

### **Sale for Resale Exemptions: - Yes**

A person engaged in the business of renting or leasing tangible personal property to others shall pay the MI sales or use tax at the time he purchases tangible personal property, or he may report and pay use tax on the rental receipts thereof. A person remitting tax on rental receipts shall be the holder of a sales tax license, or a registration as is provided in the use tax act. Each month such Lessor shall compute and pay use taxes on the total rentals charged.

A Lessor may elect to pay use tax on receipts from the rental or lease of the tangible personal property in lieu of payment of sales or use tax on the full cost of the property at the time it is acquired. For tax years the begin after December 31, 2001, in order to make a valid election under this subsection, a lessor of tangible personal property that is an aircraft shall obtain a use tax registration by the earlier of the date set for the first payment of the use tax under the lease or rental agreement or 90 days after the lessor first brings the aircraft into this state.

(Effective July 11, 2001, the sale of an aircraft is exempt from the Michigan sales and use tax if it is sold to a person for subsequent lease to a domestic air carrier operating under a certificate issued by the FAA for use solely in the regularly scheduled transport of passengers.)

*References: (Reg. 205.132 and MCL Sec. 205.95(4))*

### **LEASES:**

6%. Lease of an aircraft without crew is subject to the tax. Lease of an aircraft with crew is considered a charter and not a true lease.

*References: (RAB 96-6, MCL 205.5x, 205.94)*

### **PARTS:**

6%.

### **Exemptions 1: - Yes**

The tax levied under this act does not apply to parts and materials, excluding shop equipment or fuel, affixed or to be affixed to an aircraft owned or used by a domestic air carrier that is any of the following:

- a) An aircraft for use solely in the transport of air cargo that has a maximum certificated takeoff weight of at least 12,500 pounds for taxes levied before January 1, 1997 and at least 6,000 pounds for taxes levied after December 31, 1996.
- b) An aircraft that is used solely in the regularly scheduled transport of passengers.
- c) An aircraft, other than an aircraft described in subsection (b), that has a maximum certificated take off weight of at least 12,500 pounds for taxes levied before January 1, 1997 and at least 6,000 pounds for taxes levied after December



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31, 1996, and that is designed to have a maximum passenger seating configuration of more than 30 seats and is used solely in the transport of passengers.

*References: (Sec 205.94k - Sec 4k MCL)*

### **Exemptions 2: - Yes**

The tax levied under this act does not apply to the sale of parts or materials, excluding shop equipment or fuel, affixed or to be affixed to an aircraft that meets all of the following conditions -

- (a) The aircraft leaves the state within 15 days after the sooner of the issuance of the final billing or authorized approval for final return to service, completion of the maintenance record entry, and completion of the test flight and ground test for inspection as required by 14 CFR 91.407, and
- (b) The aircraft was not based in this state or registered in this state before the parts or materials are affixed to the aircraft and the aircraft is not based in this state or registered in this state after the parts or materials are affixed to the aircraft.

Effective February 9, 2006

*References: (MCL 205.94k Section 4K(2)(a)&(b) and MCL 205.54x Section 4x(2)(a)&(b))*

### **LABOR:**

6%.

### **Exemptions 1: - Yes**

Notwithstanding the provisions of section 2, labor or service charges involved in the maintenance and repair work on tangible personal property of others shall be separately itemized and the tax applied only to the amount charges for the tangible personal property sold.

*References: (Sec 205.55a MCL)*

### **AIRCRAFT REGISTRATION FEES -- Yes**

There is an aircraft registration fee of 1 cent (\$0.01) per pound of either maximum gross weight or maximum takeoff weight of the aircraft, whichever is greater, for which the aircraft is certificated under the Federal Aviation Administration airworthiness certificate.

*References: (Sec 259.77 MCL & MDOT Form 4004)*

### **PERSONAL PROPERTY TAX -- No**

The aircraft registration fee is in lieu of all personal property taxes on aircraft.

*References: (MCL 259.76)*

### **JET FUEL TAX MCL 259.203, Reg 205.83(2) & Bulletin 1996-6**

Excise Tax = \$0.0300

Sales Tax = 6%

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax. Commercial flights (scheduled interstate) are entitled to a refund of \$0.015 per gallon. The Federal government, state and local governments, the U.S. Military/National Guard, agricultural operations and flight-testing are exempt from the sales tax.

### **AVIATION GASOLINE TAX (MCL 259.203, Reg. 205.83(2) & Bulletin 1996-6)**

Excise Tax = \$0.0300



## MICHIGAN

Sales Tax = 6%

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax. Commercial flights (scheduled interstate) are entitled to a refund of \$0.015 per gallon. The Federal government, state and local governments, the U.S. Military/National Guard, agricultural operations and flight-testing are exempt from the sales tax.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	Yes, (excise tax)
Aviation Gasoline	Yes, (excise tax)
Aircraft Registration Fee	Yes
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

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## MINNESOTA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

6.50%. Except as otherwise provided in this chapter, there is imposed an excise tax of 6.5 percent of the gross receipts from sales at retail made by any person in this state. In addition, there are local taxes that range from .15% to 1%, that may be imposed.

*References: (MN Statute 297A)*

#### **Possible Exemptions**

##### ***Common Carrier: - No***

Airflight equipment when sold to, or purchased, stored, used or consumed by airline companies, as defined in section 270.071, subd. 4, is exempt from sales tax. For purposes of this subdivision "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on an intermittent or irregularly timed flights.

*References: (MNDOR Sales Taxes Fact Sheet #101 "Aircraft" & 297A.82(4)(d))*

##### ***Casual/Occasional Sales: - No***

An aircraft must not be registered or licensed in this state unless the applicant presents proof that the sales or use tax imposed by this Chapter has been paid or that the transaction is exempt from the sales and use tax. The exemption for an occasional sale under Section 297A.67, subdivision 23 or 297A.68 subdivision 25, does not apply to the sale or purchase of an aircraft.

*References: (297A.82(1))*

##### ***Related Entity: - Yes***

The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

*References: (297A.82(4)(b))*

##### ***Fly Away Exemption: - Yes***

A non-Minnesota resident who takes possession of an aircraft in MN is exempt from paying MN sales or use tax if the purchaser transports the aircraft outside MN and -

- \* the aircraft is not returned to MN except in the course of interstate commerce, or occasional use;
- \* The aircraft is subsequently registered in another state or country; and
- \* the aircraft meets the definitions in MS 360.511 and is approved by the FAA

This exempt also applies if the non-MN purchaser takes possession of the aircraft in MN and uses it here exclusively for a training period of not more than 10 days before removing it from MN.

*References: (MNDOR Sales Tax Fact Sheet #101 "Aircraft")*

##### ***Trade In Allowance: - Yes***

"Sales Price" means the total consideration valued in money, for a retail sale whether paid in money or otherwise, excluding any amount allowed as credit for tangible personal property taken in trade for resale, without deduction for the cost of the property sold, cost of materials used, labor or service cost, interest or discount allowed after the sale is consummated, the cost of transportation incurred prior to the time of sale, any amount for which credit is given to the purchaser by the seller, or any other expense whatsoever.



## MINNESOTA

*References: (297A.01 Subd 8)*

### **Other:**

A sale of aircraft and parts for the repair of aircraft purchased by a nonprofit, incorporated flying club or association utilized solely by the corporation by leasing the aircraft to shareholders or the corporation is exempt as property purchased for resale. The leasing of the aircraft to the shareholders by the flying club or association is taxable as a retail sale.

2008 LEGISLATIVE UPDATE - A proposed constitutional amendment to increase the Minnesota sales and use tax rate from 6.5% to 6.875% will be presented to the voters at the November 2008 general election. If approved by voters, the increase would be effective beginning July 1, 2009 until June 30, 2034. Proceeds from the revenue increase would be dedicated to outdoor heritage, clean water, parks and trails and arts and cultural heritage funds. (HF 2285, Law 2008)

*References: (297A.82(6)(a))*

### **Sale for Resale Exemptions: - Yes**

When buying an aircraft solely for leasing to others you do not have to pay sales or use tax on the purchase of either the aircraft or its repair or replacement parts. However, you must hold an active sales tax permit in order to report the lease payments you receive and the sale of the aircraft when leasing activity ceases. The sale to or purchase, storage, use or consumption by a licensed dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

Aircraft leased to out-of-state residents are exempt if the aircraft is based and used outside of MN.

*References: (MNDOR Sales Tax Fact Sheet #101 "Aircraft" & 297A.82(6)(b), Form ST-3)*

### **LEASES:**

6.50%. The tax is due on the amounts paid for the lease of the aircraft.

*References: (MN Dept of Rev Fact Sheet #101, Aircraft Purchases)*

### **PARTS:**

6.50%.

### **Exemptions 1: - Yes**

1) Aircraft parts bought for resale are exempt with a properly filled out Form ST-5 Resale Exemption Certificate.  
2) Airflight equipment when sold to, or purchased, stored, used or consumed by airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this subdivision, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on intermittent or irregularly scheduled flights.

*References: (MN Dept of Rev Fact Sheet #101 Aircraft Purchases & 297A.84(4)(d))*

### **LABOR:**

6.50%.

### **Exemptions 1: - Yes**

Repair labor is exempt if stated separately on the invoice. Fabrication labor is taxable. Effective January 1, 2002

## MINNESOTA

installation labor became taxable.

*References: (MN Dept of Rev Fact Sheet #101 Aircraft Purchases)*

### AIRCRAFT REGISTRATION FEES -- Yes

The aircraft registration fee is "in lieu" of all other taxes on aircraft except the "sales & use" tax. The aircraft registration tax is on a fiscal year basis from July 1 through June 30 of the following year. The aircraft registration tax shall be at the rate of one percent (1%) of value in the first year, provided that the minimum tax on an aircraft, subject to the provisions of sections 360.511 and 360.67, shall not be less than 25 percent of the tax on said aircraft computed on its base price or \$50, whichever is higher in the 7th year.

Any aircraft owned by a nonresident of MN and transiently or temporarily using the air space overlying this state or the airports thereof shall be exempt from taxation unless it uses the air space for more than 60 days the fiscal year. Aircraft owned by nonresidents, on the ground at an airport in this state for major repairs, shall not be considered using the airports of this state while being repaired and while awaiting return to the nonresident owner provided however, such waiting period shall not exceed 60 days from the completion of the repairs.

*References: (Minnesota Statutes Sections 360.531, 360.55 & 360.)*

### PERSONAL PROPERTY TAX -- Yes

The flight property of all "airline companies" operating in Minnesota shall be assessed annually by the commission in the manner prescribed by sections 270.071 to 270.079.

*References: (270.71, 270.074 & 360.531)*

### JET FUEL TAX 296A-01, 296A-08, 296A-09 & 296A-17

Excise Tax = \$0.0500

Sales Tax = N/A

Exemptions = Less than 50,000 gallons = \$0.05

50,000 to 150,000 gallons = \$0.02

150,000 to 200,000 gallons = \$0.01

More than 200,000 gallons = \$0.005

The Federal government and the U.S. Military are exempt. Bonded fuel is not exempt.

### AVIATION GASOLINE TAX (Aircraft Sales Tax Fact Sheet & MN Tax Handbook)

Excise Tax = \$0.0500

Sales Tax = No

Exemptions = Less than 50,000 gallons = \$0.05

50,000 to 150,000 gallons = \$0.02

150,000 to 200,000 gallons = \$0.01

More than 200,000 gallons = \$0.005

The Federal government and the U.S. Military are exempt. Bonded fuel is not exempt.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel Yes

Aviation Gasoline Yes

## MINNESOTA

Aircraft Registration Fee	Yes
Personal Property Tax	Yes
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

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#### Department of Aeronautics

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## MONTANA

### SALES/USE TAXES -- No LOCAL TAXES -- No

Montana does not impose general sales or use taxes. However, some municipalities have a small sales tax such as Whitefish, Red Lodge, Big Sky and West Yellowstone.

**SALES: N/A**

**LEASES: N/A**

**PARTS: N/A**

**LABOR: N/A**

**LEASES:**

**PARTS:**

**LABOR:**

### AIRCRAFT REGISTRATION FEES -- Yes

There is an aircraft registration fee schedule based on the type and age of the aircraft. In addition, there is a fee in lieu of tax imposed on any glider, ultralight, gyrocopter, balloon, homebuilt aircraft, antiques, or any aircraft over 40 years old of \$20.

TYPE OF AIRCRAFT	0 - 5 Years	6 - 10 Years	11 - 20 Years	21 - 30 Years	31 - 40 Years
Single engine, fixed gear, 200 horsepower and under	\$300	\$175	\$100	\$ 50	\$ 25
Single engine, fixed gear, over 200 horsepower	\$500	\$250	\$150	\$ 75	\$ 50
Single engine, retractable gear, 200 horsepower and under	\$600	\$300	\$175	\$100	\$ 75
Single engine, retractable gear, over 200 horsepower	\$700	\$400	\$200	\$125	\$100
Multi-engine, piston engine	\$800	\$500	\$250	\$175	\$150
Helicopter, piston engine	\$700	\$450	\$225	\$150	\$125
Single engine jet helicopter, prop jet	\$1,500	\$700	\$450	\$300	\$175
Multi-engine jet helicopter, prop jet	\$2,000	\$1,000	\$600	\$400	\$200
Jet engine, no propeller	\$3,000	\$1,500	\$800	\$500	\$250

*References: (67-3-201)*

### PERSONAL PROPERTY TAX -- No

The aircraft registration fee is charged in lieu of a personal property tax.

### JET FUEL TAX 15-70-204(1)(a) & 15-70-221(5)(6)

Excise Tax = \$0.0400

Sales Tax = No





## MONTANA

Exemptions = A Montana refinery or distributor who sells JP8 to the Federal defense supply center is exempt from the tax. Scheduled passenger-carrying airline operations are entitled to a refund of \$0.02 or the \$0.04 per gallon tax.

### AVIATION GASOLINE TAX (15-70-204(1)(a))

Excise Tax = \$0.0400

Sales Tax = No

Exemptions = No

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	Yes, (10% to aviation, 90% to the counties)
Personal Property Tax	N/A
Sales Taxes	N/A

### CONTACT INFORMATION

#### Department of Revenue

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#### Department of Aeronautics

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## NEW YORK

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

4%. Effective June 1, 2005 the State Tax Rate is 4 percent. In addition, there are local tax rates that vary by locality up to an additional 5.5 percent for a combined maximum of 9.5 percent.

*References: (Publication 717 & 718 and Chapter 60 Article 28 Part Sec. 1105. Publication 718-A)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

Commercial aircraft primarily engaged in intrastate, interstate or foreign commerce, are exempt from the tax. Commercial aircraft are defined as aircraft used primarily (i) to transport persons or property for hire; (ii) by the purchaser of the aircraft primarily to transport such person's tangible personal property in the conduct of such person's business; or (iii) for both such purposes. For determining how much use is needed to satisfy the requirement for "primarily" ...at least 50% of the receipts from the aircrafts activities are derived from intrastate, interstate or foreign commerce.

*References: (Chapter 60 Article 28 Part Sec 1115(a)(21) & 1101(b) (17) and TSB-M-96(14)(S) & TSB-M-80(4)(S))*

##### ***Casual/Occasional Sales: - No***

Tangible personal property sold by a person at his residence provided such person or member of his household does not conduct a trade or business in which similar item are sold, and the receipts from such sales can reasonably be expected to not exceed \$600 in a calendar year, is exempt from the tax.

*References: (Chapter 60 Article 28 Part Sec 1115(a)(18))*

##### ***Related Entity: - Yes***

Certain corporate and partnership transactions are not considered retail sales, such as contributions to partnerships, partnership liquidations, transfers or property to a corporation upon its organization, etc.

*References: (Reg Sec 526.6(d))*

##### ***Fly Away Exemption: - No***

Sales to non-residents are not taxable if possession of the airplane is taken out of state.

*References: (Chapter 60 Article 28 Part Sec 1118(2) and Section 525.2(a)(3))*

##### ***Trade In Allowance: - Yes***

The amount of the sale price of any property and the charge for any service taxable under this article, excluding any credit for tangible personal property accepted in part payment and intended for resale.

*References: (Chapter 60 Article 28 Part Sec 1101(b)(3) and Section 526.5(f))*

##### ***Other:***

2008 LEGISLATIVE UPDATE - In his State of the State address, New York Governor Eliot Spitzer proposed no tax increases. The Governor also called for the formation of a bipartisan committee that would recommend a property tax cap plan to stabilize school district property taxes. (State of the State address, New York Governor Eliot Spitzer, January 9, 2008)

The Executive Budget put forward by Gov. Spitzer calls for a change in how the exemption for transporting persons or property for hire will apply. The proposal would make a change to the exemption. Instead the exemption would read "This exemption does not apply to the use of qualified property where the qualified property is purchased



## NEW YORK

primarily to carry persons, whether or not for hire, who are agents, employees, officers, shareholders, members, partners or directors of..... (for more information please call 602-404-1854)

### **Sale for Resale Exemptions: - No**

Rather than the tax being due upon each periodic lease payment, the Tax Law provides that, with respect to the leases described in this section, the tax is due at the inception of the lease on the total amount of the lease payments for the entire term of the lease.

*References: (Title 20, Ch III, Subchapter J Sec 527.15)*

### **LEASES:**

4%. Plus local taxes. Section 1111(i) of the Tax Law provides special rules for the payment of sales & use taxes on certain leases of motor vehicles, vessels and noncommercial aircraft.

*References: (Title 20 Ch III, Subchapter J Sec 527.15(a))*

### **PARTS:**

4%. Plus local taxes

### **Exemptions 1: - Yes**

Machinery or equipment to be installed on commercial aircraft and property used by or purchased for the use on such aircraft for maintenance and repairs are exempt from the tax.

*References: (Chapter 60 Article 28 Part Sec 1115(a)(21))*

### **Exemptions 2: - Yes**

Effective November 1, 2005 receipts from the sales of tangible personal property purchased by the person providing the exempt service provided that the property becomes a physical component of the aircraft, are exempt from state and local sales and use taxes.

*References: (527.5(a)(3) and 1115.2(dd)(1))*

### **LABOR:**

4%. Plus local taxes

### **Exemptions 1: - Yes**

Machinery or equipment to be installed on commercial aircraft and property used by or purchased for use on such aircraft for maintenance and repairs are exempt from the tax.

*References: (Chapter 60 Article 28 Part Sec 1115(a)(21) & 1105(c)(3)(v))*

### **Exemptions 2: - Yes**

Receipts from sales of the services of installing tangible personal property in aircraft and of maintaining, servicing and repairing aircraft are exempt from the state and local sales and use taxes.

*References: (527.5(a)(3) and 1115.2(dd)(2))*

### **AIRCRAFT REGISTRATION FEES -- No**



## NEW YORK

### PERSONAL PROPERTY TAX -- No

*References: (527.5(a)(3) and 1115.2(dd)(2))*

### JET FUEL TAX Publication 908 & Form PT 351 & Articles 12-A & 13-A

Excise Tax = \$0.0650

Sales Tax = 4%

Exemptions = Plus local taxes. The Federal government, state and local governments and the U.S. Military are exempt from the excise tax and the sales tax. Commercial operations are entitled to a refund of the excise tax and the sales tax if they are a qualifying airline. General aviation users may apply for a refund of the excise tax, but must continue to pay the sales tax.

### AVIATION GASOLINE TAX (Publication 908 & Form PT 351)

Excise Tax = \$0.0650

Sales Tax = 4%

Exemptions = Plus local taxes. The Federal government, state and local governments and the U.S. Military are exempt from the excise and sales tax. General aviation users may apply for a refund of the excise tax, but may continue to pay the sales tax.

### STATE AVIATION TRUST FUND -- No

#### Dedication of Taxes

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration Fee	N/A
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

Philip Jones, Tax Technician II

Sales Tax Instruction & Interpretations

TEL: 800-972-1233

Web Site: [www.nystax.gov](http://www.nystax.gov)

#### Department of Aeronautics

Seth Edelman, Director

Aviation Services Bureau

TEL: 518-485-7691

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Email: [sedelman@dot.state.ny.us](mailto:sedelman@dot.state.ny.us)



## NORTH DAKOTA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- No**

#### **SALES:**

5%. A 5 percent aircraft excise tax is imposed on the purchase price of any aircraft purchased or acquired either in or outside the State of North Dakota and required to be registered under the laws of the State. A 3 percent aircraft excise tax applies on aircraft or helicopters designed or modified for the "exclusive" use as agricultural aircraft for aerial application of agricultural chemicals, insecticides, fungicides, growth regulators, pesticides, dusts, fertilizer or other agricultural materials.

*References: (NDCC Sec 57-40.5-02)*

#### **Possible Exemptions**

##### ***Common Carrier: - No***

No specific exemption.

*References: (NBCC 57-40.5)*

##### ***Casual/Occasional Sales: - Yes***

The transfer of aircraft by gift, inheritance or devise between husband and wife, parent and child or brothers and sisters is exempt from the excise tax.

*References: (NDCC 57-40.5-03(3))*

##### ***Related Entity: - Yes***

Aircraft which were previously titled or registered in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants; and the transfer of aircraft to reflect a new name of the owner caused by a business reorganization, if the ownership of the business organization remains in the same person or persons as prior to reorganization. Aircraft transferred between a lessee and lessor, if the lessee has been in continuous possession of the aircraft for a period of one year or longer and if the lessor has paid either the tax imposed under this chapter at the time of registering the aircraft in this state or the use tax imposed by chapter 57-40.2.

*References: (NDCC 57-40.5-03(3) & (4))*

##### ***Fly Away Exemption: - No***

When tangible personal property is sold by a North Dakota retailer for use or consumption and delivered to the purchaser in another state and the goods are not to be returned to this state, the sale is not subject to sales tax. The method of transporting the goods is irrelevant. However, where the seller actually delivers possession of the goods to the buyer or the buyer's representative or agent within this state, the transaction is then terminated and the tax applies.

*References: (Rule 81-04.1-3-04)*

##### ***Trade In Allowance: - Yes***

"Purchase Price" means the total amount paid for the aircraft whether paid in money or otherwise, provided, however, that when an aircraft or a motor vehicle that will be subject to the motor vehicle excise tax imposed by Chapter 57-40.3, is taken in trade on an aircraft taxable under this chapter, the trade-in value allowed by the person selling the aircraft must be deducted from the selling price to establish the purchase price of the aircraft being sold and the trade-in allowance allowed by the seller on an aircraft accepted as a trade-in constitutes the purchase price of an aircraft.

*References: (NDCC 57-40.5-01)*



## NORTH DAKOTA

### **Other:**

Aircraft for use as an air ambulance, when purchased by the operator of an emergency medical services operation licensed under Chapter 23-27 are exempt from aircraft excise tax.

*References: (NDCC 57-40.5-03.6)*

### **Sale for Resale Exemptions: - Yes**

Holding aircraft for sale in the regular course of business does not constitute business. As a result, sales of aircraft for resale are exempt from aircraft excise tax.

Whenever a retailer accepts a resale certificate at the time of making a sale, which sale would otherwise be subject to the sale tax, and such resale certificate contains the sales tax permit number of the purchaser, such retailer making the sale shall be relieved from submitting the sale tax upon the purchase price of the merchandise sold. Whenever a person submits a false resale certificate to a retailer, the person submitting the certificate shall be personally liable for the tax on the sale.

*References: (NDCC 57-40.5-01(6) and 59-39.1-10)*

### **LEASES:**

5%. There is imposed an excise tax at the rate of 5 percent on the lease or rental cost of any aircraft, less fuel, if rented dry and required to be registered under the laws of the state, except on aircraft or helicopters designed for exclusive use as agricultural aircraft for aerial application of agricultural chemicals, insecticides, fungicides, growth regulators, pesticides, dusts, fertilizer or other agricultural materials, the excise tax is imposed at the rate of 3 percent for the leasing or renting of such agricultural aircraft.

*References: (57-40.5-02)*

### **PARTS:**

5%.

### **Exemptions 1: - No**

The tax is imposed on the sale, storage, use or consumption of tangible personal property, which includes parts.

*References: (NDCC 57-39.2-02.1 & 57-40.2-02.1)*

### **LABOR:**

5%.

### **Exemptions 1: - Yes**

The repair of tangible personal property belonging to others is a service and is not subject to the sales tax. Separately stated charges for repair labor are not subject to sales tax.

*References: (Rule 81-04.1-01-22 NDAC and NDAC 81-04.1-01-22)*

### **AIRCRAFT REGISTRATION FEES -- Yes**

The aircraft registration fees are based on the year of manufacture and the take off weight. These fees range from a low of \$15 for an aircraft that weighs less than 500 pounds and was manufactured in 1995 or before, to a high of \$3,000 for an aircraft that weighs more than 100,000 pounds and was manufactured in 2000. Aircraft must be registered within 30 days of being brought into the state.

## NORTH DAKOTA

These fees will be reduced 10 percent each year after the initial registration, or if the aircraft is one year old or older and being registered for the first time, the fees must be reduced 10 percent for each year after the year of manufacture of the aircraft, until the fee reaches a figure equal to 50 percent of the original registration fee, which is the fee each year thereafter.

*References: (SFN 11627 & 2-05-11)*

### PERSONAL PROPERTY TAX -- No

*References: (SFN 11627 & 2-05-11)*

### JET FUEL TAX NDCC 53-43.3-02 & 53-43.3-03

Excise Tax = \$0.0800

Sales Tax = No

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax. Everyone is entitled to a refund of the excise tax, however, when applying for a refund, 4 percent of the purchase price will go into an airport construction fund and the operator will only receive the difference between the \$0.08 and the 4 percent.

### AVIATION GASOLINE TAX (NDCC 53-43.3-02 & 54-43.3-03)

Excise Tax = \$0.0800

Sales Tax = No

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax. Everyone is entitled to a refund of the excise tax, however, when applying for a refund, 4% of the purchase price will go into an airport construction fund and the operator will only receive the difference between the \$0.08 and the 4%.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	Yes
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

Myles Voxberg, Supervisor, Sales Tax Compliance

Sales & Special Taxes

TEL: 701-328-3011

Web Site: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)

#### Department of Aeronautics

Gary Ness, Director

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## PENNSYLVANIA

### SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes

#### SALES:

6%. Plus local taxes in Philadelphia and Allegheny counties of 1 percent. The tax shall be imposed on the purchase price at a rate of 6 percent. The purchase price is the total value of anything paid or delivered, whether it is money or otherwise, in complete performance, of a sale, lease or purchase. NOTE: Pennsylvania Governor Edward G. Rendell has proposed a 1% increase in the state sales/use tax (2/7/07).

*References: (Reg. Sec. 31.2)*

#### Possible Exemptions

##### **Common Carrier: - Yes**

A commercial operator may purchase an aircraft without payment of tax if the commercial aircraft operator is entitled to claim an exemption under the law. Thereafter, if the commercial aviation operator makes a taxable use of such aircraft, he is permitted to pay tax to the Department based upon the fair rental value of the aircraft during such taxable use. If the commercial operator used the aircraft or aircraft part in performing aerial surveys, crop dusting, pipeline inspections or similar flight activities or uses the aircraft or aircraft parts for personal use, he is required to pay to the Department use tax upon the fair rental value of the aircraft or aircraft part during such use.

*References: (Reg. Sec. 58.8(f) and Form Rev 832)*

##### **Casual/Occasional Sales: - No**

Isolated transactions other than sales of inventory and stock in trade and sales of motor vehicles, trailers, semi-trailers, motor boats, aircraft or other similar tangible personal property required under either Federal law or the laws of the Commonwealth to be registered or licensed, are exempt from the tax.

*References: (Reg Sec 31.3(2) & 32.4(b)(7))*

##### **Related Entity: - Yes**

The transfer of a vehicle by a parent corporation to a wholly-owned subsidiary corporation or by a subsidiary corporation to the parent shall be a taxable transfer unless such transfer is the result of a corporate merger or consolidation pursuant to the provisions of the Business Corporation Law.

*References: (15 PS Sec 1001-2914 & Reg Sec 31.47(5))*

##### **Fly Away Exemption: - No**

When tangible personal property is sold, leased or serviced within this Commonwealth and the vendor, lessor, or serviceperson is obligated to deliver it to a point outside of this Commonwealth, or to deliver it to a carrier or to the mails for transportation to a point outside this Commonwealth, the sales tax does not apply. However, where tangible personal property under a sale, lease or service is delivered in this Commonwealth to the buyer or lessee or their agent, other than an interstate carrier, the tax applies, notwithstanding that the buyer or lessee may subsequently transport the property out of this Commonwealth.

*References: (Reg Sec 32.5)*

##### **Trade In Allowance: - Yes**

The tax is computed upon the full amount of the purchase price of a vehicle less the trade-in deduction. A deduction from the purchase price shall be permitted for an amount equal to the amount of the trade-in allowed on the purchase, if the trade-in occurs at the same time of the sale. A separate or independent sale of a vehicle is not considered a trade-in, even if the proceeds of the sale are immediately applied by the seller to a purchase of a vehicle from the buyer.





## PENNSYLVANIA

*References: (Reg Sec 31.44(a) Form Rev 832)*

### **Sale for Resale Exemptions: - Yes**

Persons who purchase tangible personal property for the predominant purpose of renting or leasing it to others shall be entitled to claim the resale exemption. Purchases of repair parts or otherwise taxable services for the property shall be similarly entitled exemption. Purchases of equipment or supplies used in conjunction with the service or care of rental property shall be subject to tax since such materials are not considered to be resold.

*References: (Reg Sec 31.4(b), Form Rev 832, Form PA-3.)*

### **LEASES:**

6%. Leases or rentals taxable at the time of delivery remain subject to Pennsylvania sales tax throughout the entire period of the lease, notwithstanding the fact that the aircraft or aircraft part may be periodically removed from this Commonwealth on one or more occasions during the total rental period.

Fair Market Value - The rental price which the owner, lessor, or other operator of an aircraft normally charges for the rental of the aircraft; or the rental price which would be charged on the open market for the rental of a similar aircraft for a similar period of time under similar circumstance. When the fair rental value is unknown, the Department will recognize 2% of the purchase as a monthly fair rental value of an aircraft provided the purchase price represents the fair market value of such aircraft.

*References: (Re Sec 58.8(a) & (b)(3))*

### **PARTS:**

6%. Plus local taxes.

### **Exemptions 1: - Yes**

The purchase or use by a public utility of tangible personal property or services performed thereon to be predominantly used directly by it in producing, delivering or rendering of a public utility service or constructing, reconstructing, remodeling, repairing, or maintaining facilities directly used in the service is exempt from tax, whether or not the facilities constitute real estate.

*References: (Reg Sec 32.34(2)(i))*

### **LABOR:**

6%. Plus local taxes.

### **Exemptions 1: - Yes**

The purchase or use by a public utility of tangible personal property or services performed thereon to be predominantly used directly by it in producing, delivering, or rendering of a public utility service or constructing, reconstructing, remodeling, repairing, or maintaining facilities directly used in the service is exempt from tax, whether or not the facilities constitute real estate.

*References: (Reg Sec 32.34(a))*

### **Exemptions 2: - No**

Labor and installation services are subject to the tax.

*References: (33.2.2)*



## PENNSYLVANIA

### AIRCRAFT REGISTRATION FEES -- No

### PERSONAL PROPERTY TAX -- No

*References: (33.2.2)*

### JET FUEL TAX 75 PS 9004(c)

Excise Tax = \$0.0180

Sales Tax = No

Exemptions = (Effective 1/1/02) The Federal government and the U.S. Military are exempt from the excise tax.

### AVIATION GASOLINE TAX (75 PS 9004(c))

Excise Tax = \$0.0410

Sales Tax = No

Exemptions = (Effective 1/1/02) The Federal government and the U.S. Military are exempt from the excise tax.

### STATE AVIATION TRUST FUND -- Yes

#### Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	N/A
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

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Taxpayer Service & Information Center

TEL: 717-705-3114

Web Site: [www.revenue.state.pa.us/](http://www.revenue.state.pa.us/)

#### Department of Aeronautics

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## SOUTH DAKOTA

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

4%. Aircraft are subject to a "registration tax" of 4 percent based upon the total purchase price of the aircraft, except for aircraft used exclusively for agricultural crop dusting, fertilizing, spraying, seeding or defoliating purposes, then the tax shall be 3 percent. Aircraft subject to the tax imposed under this chapter are exempt from taxes imposed under chapters 10-45 and 10-46. The "registration tax" is administered by the SD DOT.

*References: (SDCL 50-11-19)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

Aircraft engaged in regularly scheduled flying consisting of an act of interstate or foreign commerce are exempt from the taxes imposed by chapters 10-45 and 10-46. In addition, these aircraft are taxed by the Department of Revenue and not by the DOT.

*References: (SDCL 50-11-19 & 10-29-2)*

##### ***Casual/Occasional Sales: - No***

There are no specific exemptions for casual sales of aircraft.

*References: (SDCL 50-11-19.1)*

##### ***Related Entity: - No***

There are no specific provisions regarding mergers, acquisitions or consolidations.

*References: (50-11-19.1)*

##### ***Fly Away Exemption: - Yes***

Aircraft that are not required to be registered in the state do not pay the "registration tax".

*References: (SDCL 50-11-19 & 50-11-12)*

##### ***Trade In Allowance: - No***

The purchase price of an aircraft purchase, sale, or transfer, is the total consideration for the aircraft whether received in money or otherwise.

*References: (50-11-19.1)*

##### ***Other:***

Publicly owned aircraft are not subject to the "registration tax."

*References: (SDCL 50-11-10)*

##### **Sale for Resale Exemptions: - Yes**

For aircraft leased under an agreement of thirty-six calendar months or less, the original "registration tax" of 4 percent applies only to the scheduled lease payments, excluding fuel, routine maintenance, insurance and crew, made in money or otherwise and shall be paid by the lessee at the time payments are made to the lessor.

For aircraft leased for more than thirty-six calendar months, either by multiple short or long term agreement, the original registration tax shall be assessed on the market value of the aircraft at the time of registration is due as stated in the aircraft bluebook and price digest. The original "registration tax" is the responsibility of the owner. A copy of the lease agreement shall be provided to the director with the application for registration. If the lessee purchases the aircraft during the time period of the lease, all moneys paid to the Department of Transportation for "registration

## SOUTH DAKOTA

taxes" under this chapter shall be credited to taxes required in Section 50-11-19. Although the payment of taxes is based on the lease payments, the annual registration fee provided for in Section 50-11-12 to 50-11-14, inclusive, apply for each aircraft under lease.

*References: (SDCL 50-11-35)*

### LEASES:

4%. The lease of an aircraft without crew is not subject to the 4 percent state sales tax and applicable municipal tax. If an aircraft is leased with pilot and both the origination and destination are within South Dakota, then the state sales tax applies.

*References: (SDCL 10-45-5.4 & 10-45-4 & 10-52-12)*

### PARTS:

4%.

### Exemptions 1: - No

The sales of aircraft parts are subject to the 4 percent state sales tax and applicable municipal tax. There are no exemptions for the sales tax on aircraft parts other than the sale to exempt entities.

*References: (SDCL 10-45-5)*

### LABOR:

4%.

### Exemptions 1: - No

South Dakota taxes most services, including repair and maintenance services. These services are subject to the 4 percent state sales tax and applicable municipal tax.

*References: (10-45-4 & 5)*

### AIRCRAFT REGISTRATION FEES -- Yes

There is an annual aircraft registration fee assessed on aircraft, including hot air balloons. This fee is based on the maximum permissible gross take-off weight and age of the aircraft. The fees are due each year between January and March, with the minimum fee being \$10. Annual fees paid after June 30th is half of the normal fee. After September 30th, one-fourth of the normal fee is due.

Weight in Pounds	New - 9 years	10 years plus
0 - 1,500	\$25	\$12.50
1,501 - 2,000	\$40	\$20
2,001 - 3,000	\$55	\$27.50
3,001 - 4,000	\$70	\$35
4,001 - 5,000	\$85	\$42.50
5,001 - 6,000	\$100	\$50
6,001 - 10,000	\$125	\$62.50
10,001 - 12,499	\$150	\$75
12,500 - 15,000	\$200	\$100
15,001 and over	\$300	\$150

Any aircraft used in South Dakota for 90 days or more will be required to pay South Dakota taxes and/or aircraft



## SOUTH DAKOTA

registration fees.

*References: (SDCL 50-11-8)*

### **PERSONAL PROPERTY TAX -- No**

The registration fees provided in 50-11-12 shall be in lieu of all personal property taxes, general or local, on aircraft.

*References: (SDCL 50-11-18)*

### **AIRLINE FLIGHT PROPERTY TAX -- Yes**

Flight property of airline companies (engaged in regularly scheduled flying, consisting of an act of interstate or foreign commerce) operating in the state, shall be assessed for the purpose of taxation by the Department of Revenue and not otherwise.

*References: (SDCL 10-29-2)*

### **JET FUEL TAX SDCL 10-47B-4(5)**

Excise Tax = \$0.0400

Sales Tax = No

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax.

### **AVIATION GASOLINE TAX (SDCL 10-47B-4(4))**

Excise Tax = \$0.0600

Sales Tax = No

Exemptions = The Federal government and the U.S. Military are exempt from the excise tax.

### **STATE AVIATION TRUST FUND -- Yes**

#### **Dedication of Taxes**

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration Fee	Yes
Personal Property Tax	No
Sales Taxes	Yes

### **CONTACT INFORMATION**

#### **Department of Revenue**

Dept of Revenue & Regulation

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## TEXAS

### **SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes**

#### **SALES:**

6.25%. The state sales tax rate is 6.25%. Additionally, there are local sales and use taxes imposed by local jurisdictions, including cities, counties, special purpose districts and transit authorities. Generally the combined local rate cannot exceed 2 percent, making 8.25 percent the highest possible rate.

*References: (Admin Code 3.302)*

#### **Possible Exemptions**

##### ***Common Carrier: - Yes***

- 1) An aircraft sold to a person using the aircraft as a certificated or licensed carrier of persons or property is exempt from the state sales tax.
- 2) If an aircraft is hangared outside the state and it is used more than 50% of the time outside of the state, the aircraft is not subject to use tax.

*References: (Tax Code Sec 151.328(a)(1) & 34 TAC 3.297(a)(1) and 34 TAC 3.297(c)(3))*

##### ***Casual/Occasional Sales: - Yes***

- 1) The "occasional sale" of one or two sales of taxable items during a 12 month period by a person who does not engage, or hold himself out as engaging in the business of selling taxable items, is exempt from the sales tax. However, this exemption is not available to a person who holds a sales, use, direct payment or maquiladora permit.
- 2) If an interest in tangible personal property is sold, under the terms of a good faith, bona fide contractual relationship, to another person who either before or after the sale owned or owns a joint or undivided interest in the property with the seller, and if the taxes imposed by this chapter have previously been paid on the tangible personal property, the tangible personal property is exempted from the taxes imposed by this chapter.

*References: (Tax Code Sec 151.304 & 151.306)*

##### ***Related Entity: - Yes***

The sale of the entire operating assets of a business or a separate division, branch, or identifiable segment of a business and a transfer of all or substantially all the property used by a person in the course of an activity if after the transfer the real or ultimate ownership of the property is substantially similar to that which existed before the transfer, are exempt from the tax.

*References: (Tax Code Sec 151.304)*

##### ***Fly Away Exemption: - Yes***

An aircraft sold to an entity for use and registration in another state and the first use of the aircraft is its transportation out of the state, is exempt from the tax.

*References: (Tax Code Sec 151.328(a)(4) & TAC 3.297(c)(9))*

##### ***Trade In Allowance: - Yes***

Sales price does not include the value of personal property that is taken by a seller in trade as all or a part of the consideration for sale of a taxable item, if separately identified to the customer by an invoice, billing, sales slip, ticket or contract.

*References: (Tax Code Sec 151.007(c)(5))*

##### ***Other:***

Identifiable Segment - Effective December 1, 2006 "...If the method of transfer(s) of an aircraft, or other tangible



## TEXAS

personal property, does not have a business purpose other than tax avoidance, then the transitory entity should be ignored and use tax should be assessed accordingly. This analysis will be applied to all such transactions that have not been completed, meaning the taxable item has not actually been brought into Texas for use as of December 1, 2006. Document 9502L1333G03 on the STAR system, and any similar documents, are superseded accordingly." (Accession Number - 200611755L)

### **Sale for Resale Exemptions: - Yes**

A purchaser may give a resale certificate for the acquisition of a taxable item if the purchaser intends to sell, lease, or rent it in the regular course of business or transfer it as an integral part of a taxable service performed in the regular course of business.

*References: (Tax Code Sec 151.151 & Form 01-339)*

### **LEASES:**

6.25%. Plus local taxes up to 2 percent. Tax is due on a lease of an aircraft without crew. A lease of an aircraft with a crew is considered nontaxable charter or transportation service.

*References: (Rule 3.294(c)(3) and 3.297)*

### **PARTS:**

6.25%. plus local taxes.

### **Exemptions 1: - Yes**

There is an exemption for tangible personal property that is permanently affixed or attached as a component of an aircraft owned or operated by a certificated carrier of persons or property or an aircraft used in a flight-training program.

*References: (Tax Code Sec 151.328(d) and TAC 3.292 & 3.297)*

### **LABOR:**

6.25%. plus local taxes.

### **Exemptions 1: - Yes**

There is no tax on labor. Repairing, remodeling, restoring, and maintaining aircraft are not taxable services.

*References: (Tax Code Sec 151.328(b) & 151.0101(a)(5)(A) and Sec 3.292)*

### **AIRCRAFT REGISTRATION FEES -- No**

### **PERSONAL PROPERTY TAX -- Yes**

- 1) A person is entitled to an exemption from taxation of all tangible personal property, other than manufactured homes, that the person owns and that is not held or used for the production of income.
- 2) Effective June 19, 1999 the personal property tax is assessed based on the portion of the fair market value of an aircraft that fairly reflects its use in the state if the aircraft is used for a business purpose or the owner and is used continually outside the state. The allocable portion of the total fair market value of an aircraft equals the fair market value multiplied by the number of departures of an aircraft from a location in Texas during the preceding year, divided by the total number of departures from all locations during the preceding year.

Aircraft has a total number of 200 departures, with 100 being from within Texas



## TEXAS

Aircraft Value = \$5,000,000

Property tax ratio = 2.5%

Assessed Value = FMV times Ratio

Taxes to be Paid = Assessed value times Tax Rate

$\$5,000,000 \times 100/200 = \$2,500,000$

$\$2,500,000 \times .025 = \$62,600 \text{ PPT}$

*References: (Tax Code Sec 11.14 & Tax Code Sec 21.055)*

### JET FUEL TAX

Excise Tax = No

Sales Tax = No

Exemptions = N/A

### AVIATION GASOLINE TAX

Excise Tax = No

Sales Tax = No

Exemptions = N/A

### STATE AVIATION TRUST FUND -- No

#### Dedication of Taxes

Jet Fuel	N/A
Aviation Gasoline	N/A
Aircraft Registration Fee	N/A
Personal Property Tax	No
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

Donna Halbert,

Tax Policy Division

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Web Site: [www.cpa.state.tx.us/](http://www.cpa.state.tx.us/)

#### Department of Aeronautics

Dave Fulton, Director

Division of Aviation

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## WISCONSIN

### SALES/USE TAXES -- Yes      LOCAL TAXES -- Yes

#### SALES:

5%. There is a state sales and use tax rate of 5 percent. In addition to the state tax rate, most of Wisconsin's 72 counties have adopted a 0.5% county sales and use tax. Also, there is a 0.1% baseball stadium sales and use tax in Milwaukee, Ozaukee, Racine, Washington & Waukesha counties and a 0.5% football stadium sales and use tax in Brown County. County and/or stadium sales and use taxes are imposed upon every aircraft: 1) the aircraft must be registered or titled with the State of Wisconsin, and 2) the aircraft is to be customarily kept in a county with the county and/or stadium sales and use tax.

*References: (Section 77.52(1) & 77.53(1))*

#### Possible Exemptions

##### **Common Carrier: - Yes**

There is an exemption from Wisconsin sales and use tax for aircraft sold to persons using such aircraft as certified or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the US or any foreign government.

*References: (Sections 77.54(5)(a) (2001-2002))*

##### **Casual/Occasional Sales: - Yes**

An occasional sale of aircraft is taxable unless all 3 of the following conditions are met:

- 1) The transfer is to the spouse, parent, stepparent, father-in-law, mother-in-law, child, stepchild, son-in-law or daughter-in-law of the transferor.
- 2) The aircraft was previously registered in WI in the transferor's name.
- 3) The transferor is not engaged in the business of selling aircraft.

*References: (Section 77.54(7)(b) Wis. Stats. (2001-02) and WI Reg Rule Sec 11.84(a))*

##### **Related Entity: - Yes**

"Sale" does not include: (a) The transfer of property to a corporation upon its organization solely in consideration for the issuance of its stock; (b) The contribution of property to a newly formed partnership solely in consideration for a partnership interest therein; (c) The contribution of property to a limited liability company upon its organization solely in consideration for a membership interest; (d) The transfer of property to a corporation, solely in consideration for the issuance of its stock pursuant to a merger or consolidation; (e) The transfer of property to a limited liability company, solely in consideration for a membership interest, pursuant to a merger; etc.

*References: (Section 77.51(14)(g) Wis. Stats. (2001-02))*

##### **Fly Away Exemption: - Yes**

Aircraft sold to persons who are not residents of Wisconsin and who will not use such aircraft other than in the removal of such aircraft from the State of Wisconsin are exempt from the WI sales/use tax.

*References: (Section 77.54(5)(a) Wis Stats (2001-02))*

##### **Trade In Allowance: - Yes**

In all transactions in which an article of tangible personal property is traded toward the purchase of an article of greater value, the gross receipts shall be only that portion of the purchase price represented by the difference between the full purchase price of the article of greater value and the amount allowed for the article traded. A trade-in allowance reduces gross receipts only if the sale and trade-in constitute a single transaction.

*References: (Section 77.51(4)(b)(3) Wis Stats. (2001-02))*



## WISCONSIN

### **Sale for Resale Exemptions: - Yes**

A lessor's purchase of tangible personal property to be used solely for lease or rental shall be exempt as a purchase for resale. A lessor's purchase of lubricants, repair parts and repair services on personal property used solely for leasing shall also be exempt as a purchase for resale. However, if the same items are purchased by a renter or lessee, the purchases shall be taxable. Charges by a lessor to a lessee under a maintenance contract on leased personal property shall be taxable

*References: (Section 11.29(2) Wis Adm Code (July 2002 Register))*

### **LEASES:**

5%. There is a 5% state sales and use tax rate. In addition to the state tax rate, 58 of Wisconsin's 72 counties have adopted a 0.5% county sales and use tax. Also, there is a .1% baseball stadium sales and use tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties and a 0.5% football stadium sales and use tax in Brown County. Gross receipts from providing a transportation service are not subject to tax.

*References: (Section 77.51(14)(j), Section Tax 11.84(4)(a) Wis Adm Code July 2003 Register)*

### **PARTS:**

5%. Plus local taxes. For sales of aircraft parts, the applicable sales and use tax rate is determined depending on the county in which possession of the aircraft parts is transferred from the seller to the buyer.

### **Exemptions 1: - Yes**

There is an exemption from Wisconsin sales and use tax for aircraft, including accessories, attachments, parts and fuel, sold to persons using such aircraft as certified or licensed carriers of persons or property in interstate or foreign commerce under the authority of the laws of the US or any foreign government.

*References: (Section 77.54(5)(a) & 77.52(1) Wis Stats 2001-02)*

### **LABOR:**

5%. Plus local taxes. For sales of services, the applicable sales and use tax rate is determined depending on the county in which possession of the aircraft on which the services are performed is transferred from seller to buyer.

### **Exemptions 1: - Yes**

(1) Sales and use taxes are imposed on aircraft services. Services include repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance.

(2) An exemption applies if at the time the service is furnished, a sale of the aircraft in Wisconsin would have been exempt to the customer.

*References: (Section 77.52(2)(a)(10) & 77.52(1) Wis Stats 2001-02)*

### **AIRCRAFT REGISTRATION FEES -- Yes**

Aircraft determined by the Department to be based in this state shall be subject to the annual or biennial registration fees under sub. (9) or (9m). An aircraft is presumed to be based in this state if it is kept in the state for a period of 30 consecutive days or for a cumulative period of 60 days in any calendar year. An aircraft is not based in this state if it is brought into the state solely for the purpose of repair, maintenance, or restoration.

The aircraft registration fees are in lieu of general property taxes, on aircraft that are not considered air carrier.

## WISCONSIN

Air carrier having the meaning of any person engaged in the business transportation of persons or property for hire on regularly scheduled flights. Air carriers are subject to annual assessment of their property by the Department of Revenue. (76.02(1))

There is a biennial registration fee for aircraft that weigh less than 3,000 pounds.

The annual aircraft registration fees are as follows:

Max Gross Weight	Annual Fee
Not more than 3,500 pounds	\$70
Not more than 4,000 pounds	\$95
Not more than 5,000 pounds	\$135
Not more than 6,000 pounds	\$190
Not more than 7,000 pounds	\$240
Not more than 8,000 pounds	\$300
Not more than 9,000 pounds	\$375
Not more than 10,000 pounds	\$525
Not more than 11,000 pounds	\$690
Not more than 12,500 pounds	\$940
Not more than 15,000 pounds	\$1,125
Not more than 20,000 pounds	\$1,310
Not more than 25,000 pounds	\$1,500
Not more than 30,000 pounds	\$1,690
Not more than 35,000 pounds	\$1,875
Not more than 40,000 pounds	\$2,190
Not more than 100,000 pounds	\$2,500
More than 100,000 pounds	\$3,125

Air carriers are subject to annual assessment of their property by the Department of Revenue.

*References: (Section 114.20)*

### PERSONAL PROPERTY TAX -- No

*References: (Section 114.20)*

### JET FUEL TAX Section 78.555, 78.62 & 168.12

Excise Tax = \$0.0600

Sales Tax = No

Exemptions = Oil Inspection Fee = \$0.02

The U.S. government, its agencies and Airline Companies are exempt from the excise tax. Any person who purchases more than 1,000,000 gallons per month is entitled to an allowance of 2 cents per gallon. Purchases for resale are not eligible.

### AVIATION GASOLINE TAX (Section 78.555, 78.62 & 168.12)

Excise Tax = \$0.0600

Sales Tax = No

Exemptions = Oil Inspection Fee = \$0.02

U.S. government, its agencies and air carrier companies are exempt from the excise tax. Any person who purchases

## WISCONSIN

more than 1,000,000 gallons in a month is entitled to an allowance of 2 cents per gallon. Purchases for resale are not eligible.

### STATE AVIATION TRUST FUND -- No

#### Dedication of Taxes

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration Fee	No
Personal Property Tax	N/A
Sales Taxes	No

### CONTACT INFORMATION

#### Department of Revenue

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# **ATTACHMENT D**

## **POWERPOINT PRESENTATION**

### **TASK 3**

# Aviation Funding & Taxes



## Airport Funding Advisory Task Force

November 12, 2008

**Nel Stubbs, Conklin & de Decker**

nel@conklindd.com

Conklin & de Decker

## Aviation Funding Sources



- State Funding Sources
  - Fuel Taxes
  - Sales Taxes
  - A/C Registration Fees
  - Property Taxes/Ad Valorem Taxes
  - Highway Taxes
  - General Funds
  - Other

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## State Taxes on Aviation

- Fuel Taxes
- Sales & Use Taxes
- Aircraft registration fees
- Aircraft License Tax (AZ)
- Flight Property Tax (AZ, MN)
- Personal Property Taxes

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## State Taxes on Aviation

- Of the States Surveyed –
  - **State Sales/Use Taxes**
    - Except for Montana, all the other states have a sales tax ranging from 4% (SD) to 7.25% (CA)
    - This goes to the General Fund
  - **Fuel Tax** – AZ, CA, FL, MI, MN, MT, ND, PA, SD, & WI dedicate this tax to their aviation fund. (10 out of 13 state surveyed = 77%)

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## State Taxes on Aviation

- **Aircraft Registration Fees** – AZ, IL, IA, MI, MN, MT, ND, SD, & WI dedicate this fee to their aviation fund (9 out of 13 states surveyed = 69%).
- **Personal Property Taxes** – these taxes are imposed not by the state but by the county and are not dedicated to Aviation. Only CA & TX impose PPT of the states surveyed.

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## State Taxes on Aviation

- **Airline Taxes** (Part 121) – AZ, CA, IL, MN, ND, PA, SD, TX, & WI are states that tax the airlines. Of these states only AZ, MN & WI dedicate all or a portion to an aviation fund.
- **Other Taxes & Fees** – Some of the other taxes & fees are a uniform fee, license fee, excise tax, operating fee, etc.

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## Federal Taxes on Aviation

- Where do these Federal dollars come from?
  - Aviation Trust Fund
    - Noncommercial Taxes
      - Fuel Taxes – This is the non-commercial federal excise tax
    - Commercial Taxes
      - Transportation of Persons (7.5%, plus segment fee)
        - International & Domestic
      - Transportation of Property (6.5% within US)

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## Aviation Funding Sources

- It is interesting to note that:
  - Texas receives no monies from aviation
    - Texas gets all their state funding from the highway fund.
- In addition,
  - AZ, CA, IA, MT, and SD get no funding from the General Fund or the Highway fund

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## Aviation Funding Sources

- Other Sources
  - Arizona – \$1.967M this reflects Grand Canyon Revenues and Grants, Investment Interest and loan payment.
  - Iowa - \$1.5M this come from the “Rebuild Iowa Infrastructure Fund”
  - Texas - \$16.3M this is the undedicated portion of the Highway fund which are the vehicle registration fees.

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## Aviation Funding Sources

- State funding from High to Low
  - Florida is the highest at \$132.4M
  - South Dakota is the lowest at \$1.111M
- Order of state funding highest to lowest
  - FL, NY, AZ, MI, MN, TX, PA, WI, CA, ND, IA, MT & SD

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## Aviation Funding Sources

- In addition to State Funding, states received Federal Funding
- This is based on the type of airports within the state, such as
  - Primary, non-Primary, General Aviation and Reliever
- Some states receive money as part of their system plan (CA, IA, MT, NY, **ND**, PA & TX)
- Block Grant States = IL, MI, PA, TX & WI

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## Comparison of the States

- 8 out of the 13 states have a dedicated Aviation Fund
- Employees
  - IA, MT, NY & SD have less than 12 employees
  - All the other states have more than 25
- AZ, MI, MT & PA all have 1 large hub airport

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## Findings

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- How does MN compare to the 13 states
  - 8 out of 13 exempt aircraft operating on 135 & 121 certificates (AZ & FL only 121) from the state sales tax
    - MN does not exempt aircraft operated under 135 (IL, MI, WI, MT do)
  - Other sales tax exemptions or exceptions - Sale for Resale, Flyaway, Trade In, Credit for tax paid in another state

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## Findings

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- **Fuel tax** is low compared to most states, except the states that exempt airlines.
- 7 out of the 14 states have an aircraft registration fee. AZ & IA can be significant. MN is the highest.

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## Findings

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- CA & TX have a personal property tax, that is usually significant
  - Based on time spent in state.
- Flight Property Tax on Airlines – Only AZ & MN dedicate this to aviation
  - FL, IA, & MI do not tax the airlines

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## Findings

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- MN Registration Fees, Flight Property Tax and Fuel Taxes are dedicated to Aviation.
- However, Operators do not really care that these monies are dedicated to aviation, they are just looking at the bottom line

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# **ATTACHMENT E**

## **AIRLINE TAXES**

## STATE TAX COMPARISON FOR AIRLINES

	FLIGHT PROPERTY OR SIMILAR TAX
<b>Arizona</b>	All business income of a taxpayer engaged in air commerce shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the revenue aircraft miles flown within this state for flights beginning or ending in this state and the denominator of which is the total revenue aircraft miles flown by the taxpayer's aircraft everywhere. This subsection applies to each taxpayer, including a combined group filing a combined return or an affiliated group electing to file a consolidated return under section 43-947, if fifty per cent or more of that taxpayer's gross income is derived from air commerce. <i>(Sec 43-1139)</i>
<b>California</b>	The time in state factor is the proportionate amount of time, both in the air and on the ground, that certificated aircraft have spent within the state during a representative period as compared to the total time in the representative period. For purposes of this subdivision, all time, both in the air and on the ground, that certificated aircraft have spent within the state prior to the aircraft's first entry into the revenue service of the air carrier in control of the aircraft on the current lien date shall be excluded from the time in state factor. This factor shall be multiplied by 75 percent. <i>(Sec. 1152)</i>
<b>Florida</b>	None
<b>Illinois</b>	In general. The business income of a person other than a resident shall be allocated to this State if such person's business income is derived solely from this State. If a person other than a resident derives business income from this State and one or more other states, then, for tax years ending on or before December 30, 1998, and except as otherwise provided by this Section, such person's business income shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the sum of the property factor (if any), the payroll factor (if any) and 200% of the sales factor (if any), and the denominator of which is 4 reduced by the number of factors other than the sales factor which have a denominator of zero and by an additional 2 if the sales factor has a denominator of zero. For tax years ending on or after December 31, 1998, and except as otherwise provided by this Section, persons other than residents who derive business income from this State and one or more other states shall compute their apportionment factor by weighting their property, payroll, and sales factors as provided in subsection (h) of this Section. <i>(Sec. 304)</i>
<b>Iowa</b>	None
<b>Michigan</b>	Aircraft exempted from the registration provisions of the aeronautics code of the State of Michigan and all other aircraft operating under the provisions of a certificate issued under 14 CFR 121 and all spare parts for such aircraft are <b>exempt</b> from personal property taxes. <i>(Sec. 211.9)</i>
<b>Minnesota</b>	The commissioner shall determine the market valuation of all flight property operated or used by every airline company in air commerce in this state. The valuation apportioned to this state of such flight property shall be the proportion of the total valuation thereof determined on the basis of the total of the following percentages. <i>(Sec 270.074)</i>
<b>Montana</b>	Airline companies are centrally assessed. The department of revenue shall determine the full and true valuation of all property of each airline operating in this state or used by each scheduled airline company in air commerce. Except as provided in subsection (2), this valuation may be ascertained by: (1)(a) determining the full and true valuation of all property owned and operated by each scheduled airline company; and (1)(b) allocating to the state of Montana from the total valuation a valuation that represents this state's proper share of the valuation of the property, through the application of the ratios that are described in 15-23-402 (8), (9), (10), and (11) against the total valuation. <i>(Sec 15-23-403)</i>

## STATE TAX COMPARISON FOR AIRLINES

New York	<p>The measure of the amount of capital stock in the city of an aviation corporation shall be a portion of the issued capital stock determined by applying thereto the arithmetical average of the following three ratios: (a) the ratio which the <b>aircraft</b> arrivals and departures within the city scheduled by any such corporation during the preceding calendar year bear to the total <b>aircraft</b> arrivals and departures within and without the city scheduled by it during the same period, provided that in the case of non-scheduled operations all arrivals and departures shall be substituted for scheduled arrivals and departures; (b) the ratio which the revenue tons handled by such corporation at airports within the city during the preceding calendar year bear to the total revenue tons handled by it at airports within and without the city during the same period; and (c) the ratio which such corporation's originating revenue within the city for the preceding calendar years bears to its total originating revenue within and without the city for the same period. As used in this section, the term "<b>aircraft</b> arrivals and departures" means the number of scheduled landings and takeoffs of the <b>aircraft</b> of an aviation corporation, and the number of scheduled air pickups and deliveries by the <b>aircraft</b> of such corporation, and in the case of non-scheduled operations shall include all landings and takeoffs, pickups and deliveries; the term "originating revenue" means revenue to any such corporation from the transportation of revenue passengers and revenue property first received by such corporation either as originating or connecting traffic at airports; and the term "revenue tons handled" by any such corporation at an airport means the weight in tons of revenue passengers (at two hundred pounds per passenger) and revenue cargo first received either as originating or connecting traffic or finally discharged by such corporation at such airport. (Sec. 11-662)</p>
North Dakota	<p>Owned aircraft must be valued at its original cost and rented aircraft must be valued at eight times the net annual rental rate in accordance with North Dakota Century Code section 57-38.1-11 and article IV(11) of North Dakota Century Code section 57-59-01 and sections 81-03-09-19 and 81-03-09-20. The use of the taxpayer's owned or rented aircraft in an interchange program with another air carrier will not constitute a rental of such aircraft by the airline to the other participating airline. Such aircraft must be accounted for in the property factor of the owner. Parts and other expendables, including parts for use in contract overhaul work, will be valued at cost. (81-03-09-36)</p>
Pennsylvania	<p>All business income of railroad, truck, bus or airline companies shall be apportioned to this Commonwealth by multiplying the income by a fraction, the numerator of which is the taxpayer's total revenue miles within this Commonwealth during the tax period and the denominator of which is the total revenue miles of the taxpayer everywhere during the tax period. For purposes of this paragraph revenue mile shall mean the average receipts derived from the transportation by the taxpayer of persons or property one mile. Where revenue miles are derived from the transportation of both persons and property, the revenue mile fractions attributable to each such class of transportation shall be computed separately, and the average of the two fractions weighted in accordance with the ratio of total receipts from each such class of transportation everywhere to total receipts from both such classes of transportation everywhere, shall be used in apportioning income to this Commonwealth. (Sec 401)</p>



## STATE TAX COMPARISON FOR AIRLINES

South Dakota	The valuation of such flight property properly apportioned to this state shall be determined to be the proportion of the total valuation thereof, based on the average of the total of the following three ratios for each type of aircraft: (1) That ratio which the total tonnage of passengers, express and freight first received by the airline company in this state during the preceding calendar year plus the total tonnage of passenger, express and freight finally discharged by it within this state during the preceding calendar year bears to the total of such tonnage first received by the airline company or finally discharged by it, within and without this state during the preceding calendar year; (2) That ratio which the flight time of all aircraft of the airline company on flights serving this state during the preceding calendar year bears to the total of such time in flight within and without this state during the preceding calendar year; (3) That ratio which the number of revenue ton miles of passengers, mail, express and freight flown by the airline company on flights serving this state during the preceding calendar year bears to the total number of such miles flown by it within and without this state during the preceding calendar year. <i>(10-29-10)</i>
Texas	If a commercial aircraft that is taxable by a taxing unit is used both in this state and outside this state, the appraisal office shall allocate to this state the portion of the fair market value of the aircraft that fairly reflects its use in this state. The appraisal office shall not allocate to the state the portion of the total market value of the aircraft that fairly reflects its use beyond the boundaries of this state. The allocable portion of the total fair market value of a commercial aircraft that is taxable in this state is presumed to be the fair market value of the aircraft multiplied by a fraction, the numerator of which is the product of 1.5 and the number of revenue departures by the aircraft from Texas during the year preceding the tax year, and the denominator of which is the greater of (1) 8,760, or (2) the numerator. <i>(Sec. 21.05)</i>
Wisconsin	The apportionable income of an interstate air carrier doing business in Wisconsin shall be apportioned to Wisconsin on the basis of the ratio obtained by taking the arithmetical average of the following 3 ratios: (1) The ratio which the aircraft arrivals and departures within this state scheduled by such carrier during the calendar or fiscal year bears to the total aircraft arrivals and departures within and without this state scheduled by such carrier during the same period; provided that in the case of nonscheduled operations all arrivals and departures shall be substituted for scheduled arrivals and departures; (2) The ratio which the revenue tons handled by such carrier at airports within this state during the calendar or fiscal year bears to the total revenue tons handled at airports within and without this state during the same period; (3) The ratio which such air carrier's originating revenue within this state for the calendar or fiscal year bears to the total originating revenue within and without this state for the same period. <i>(Reg. 2.46)</i>
<b>Comment:</b> This information contained in this report came from several sources, the Conklin & de Decker State Tax Guide and research on the CCH Master Tax Guide. In addition, calls were made to several states for clarification.	

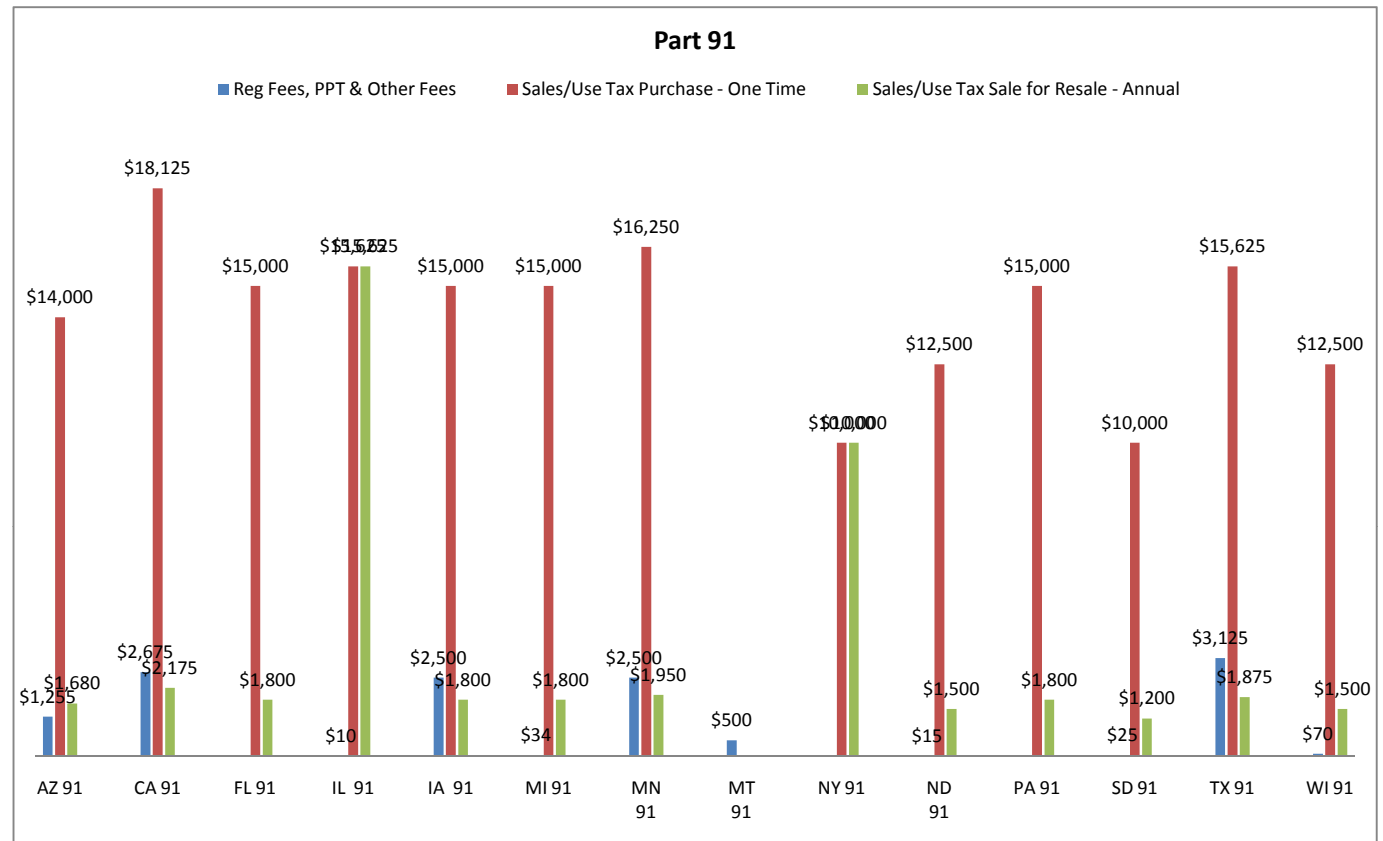
# **ATTACHMENT F**

## **COMPARISON OF COSTS AMONG THE STATES**

**SR22 & CL604**

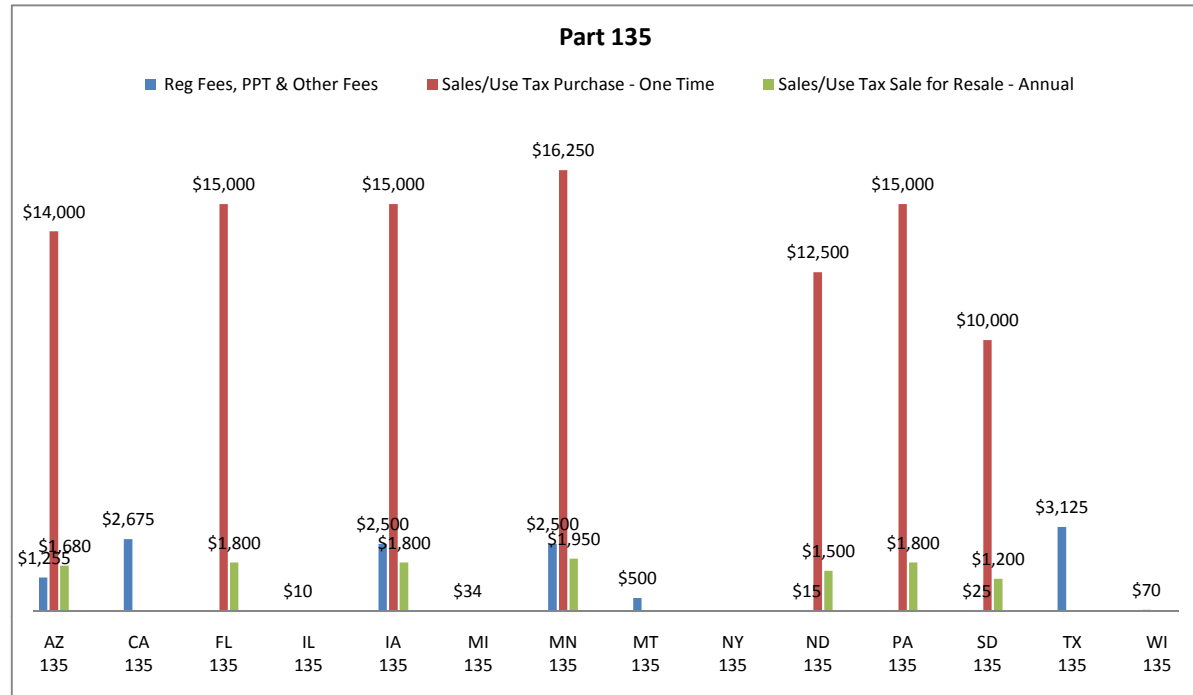
# CIRRUS SR-22

	Reg Fees, PPT & Other Fees	Sales/Use Tax Purchase - One Time	Sales/Use Tax Sale for Resale - Annual
AZ 91	\$1,255	\$14,000	\$1,680
CA 91	\$2,675	\$18,125	\$2,175
FL 91		\$15,000	\$1,800
IL 91	\$10	\$15,625	\$15,625
IA 91	\$2,500	\$15,000	\$1,800
MI 91	\$34	\$15,000	\$1,800
MN 91	\$2,500	\$16,250	\$1,950
MT 91	\$500		
NY 91		\$10,000	\$10,000
ND 91	\$15	\$12,500	\$1,500
PA 91		\$15,000	\$1,800
SD 91	\$25	\$10,000	\$1,200
TX 91	\$3,125	\$15,625	\$1,875
WI 91	\$70	\$12,500	\$1,500

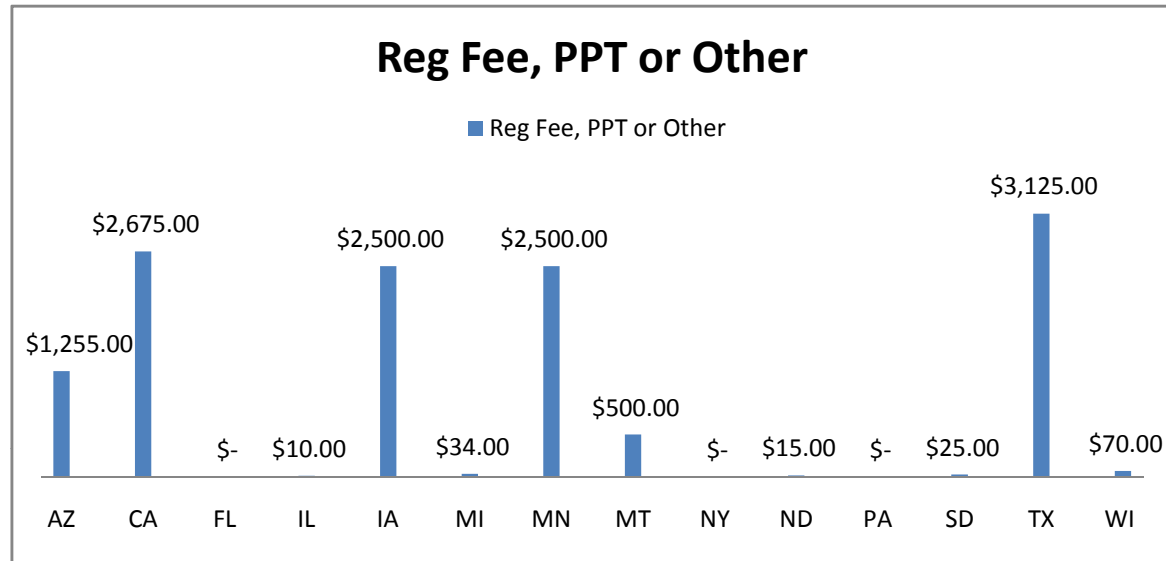


## CIRRUS SR22

	Reg Fees, PPT & Other Fees	Sales/Use Tax Purchase - One Time	Sales/Use Tax Sale for Resale - Annual
AZ 135	\$1,255	\$14,000	\$1,680
CA 135	\$2,675		
FL 135		\$15,000	\$1,800
IL 135	\$10		
IA 135	\$2,500	\$15,000	\$1,800
MI 135	\$34		
MN 135	\$2,500	\$16,250	\$1,950
MT 135	\$500		
NY 135			
ND 135	\$15	\$12,500	\$1,500
PA 135		\$15,000	\$1,800
SD 135	\$25	\$10,000	\$1,200
TX 135	\$3,125		
WI 135	\$70		

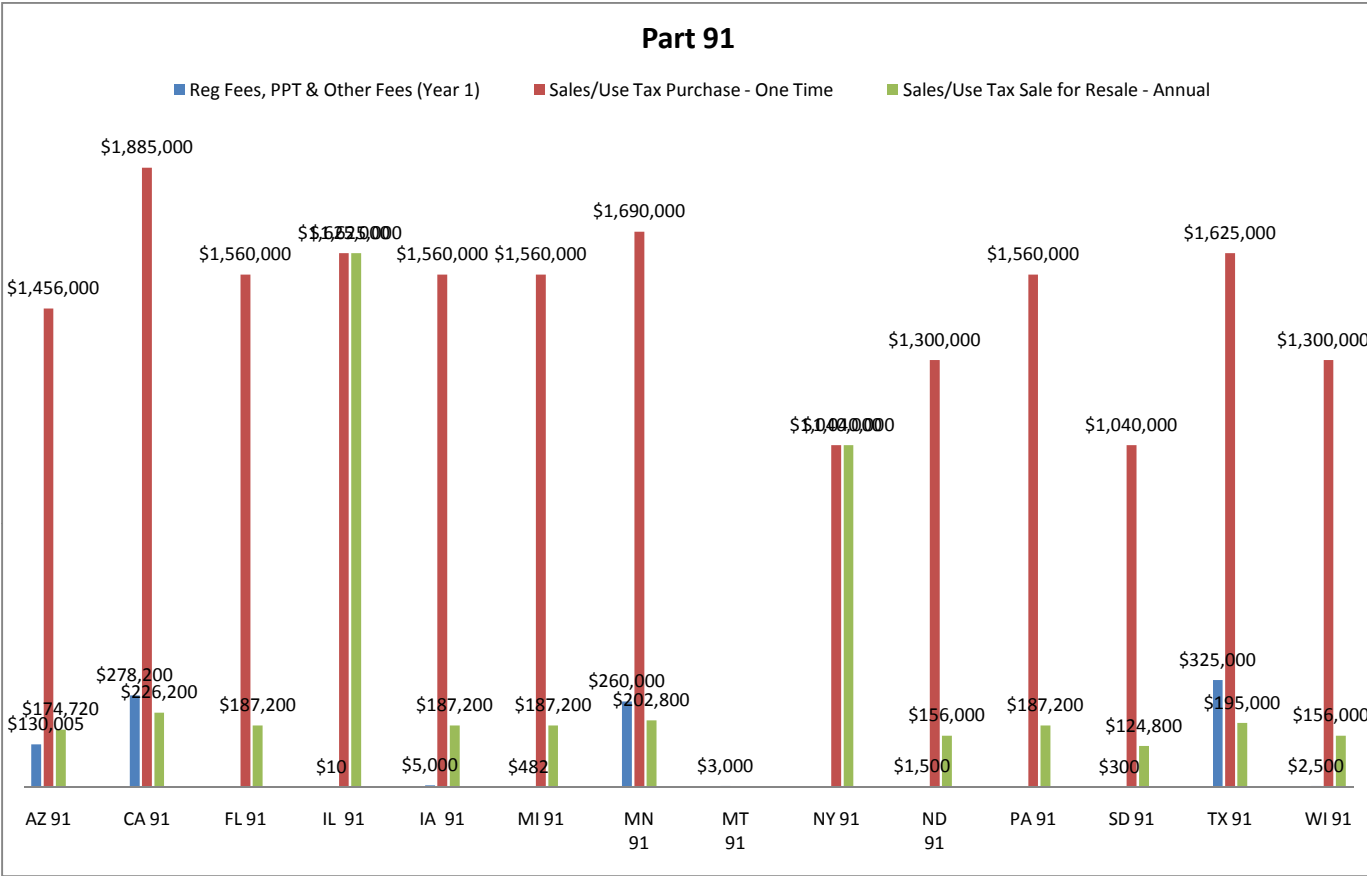


	Reg Fee, PPT or Other
AZ	\$ 1,255.00
CA	\$ 2,675.00
FL	\$ -
IL	\$ 10.00
IA	\$ 2,500.00
MI	\$ 34.00
MN	\$ 2,500.00
MT	\$ 500.00
NY	\$ -
ND	\$ 15.00
PA	\$ -
SD	\$ 25.00
TX	\$ 3,125.00
WI	\$ 70.00



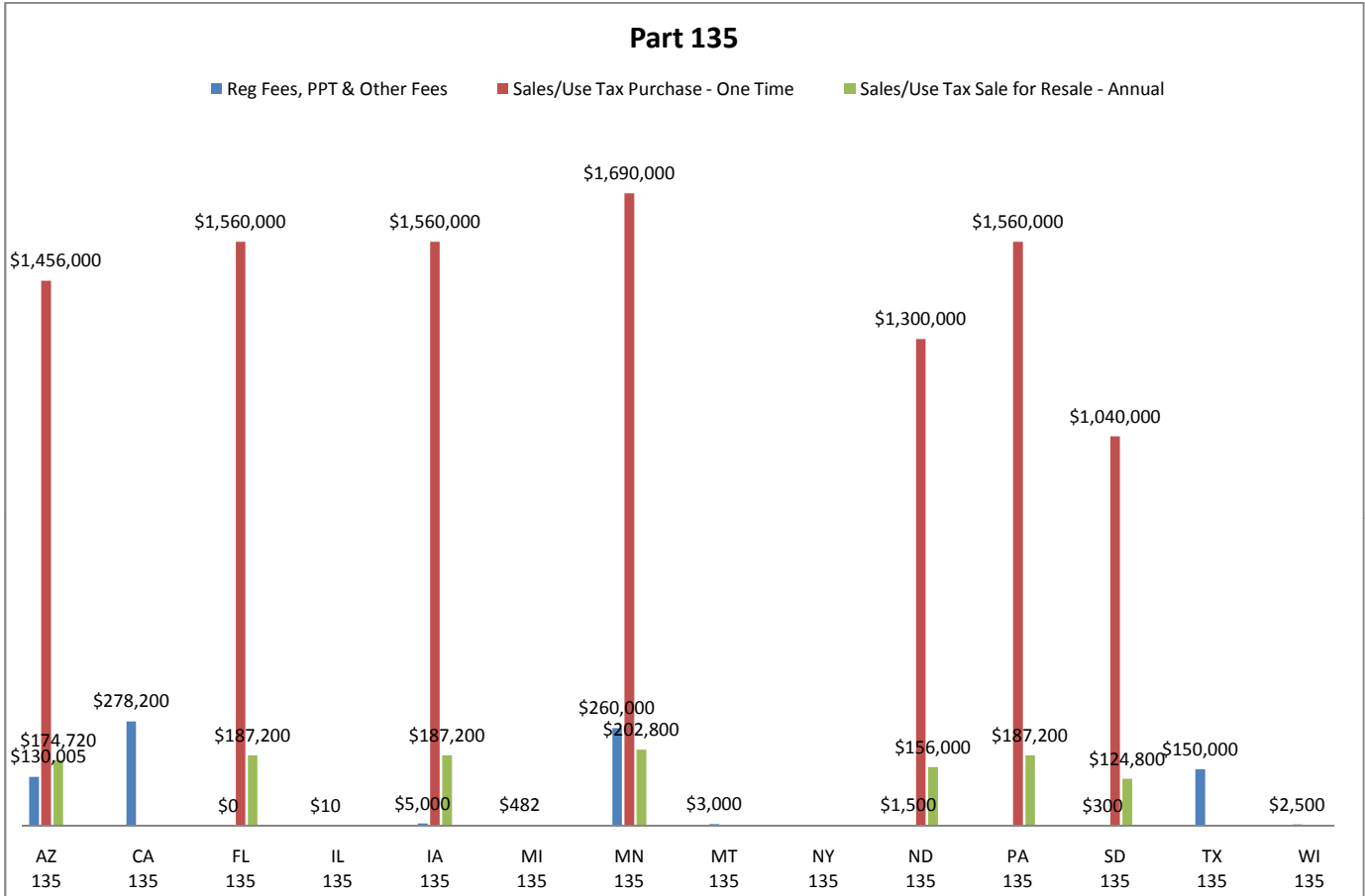
CHALLENGER 604

	Reg Fees, PPT & Other Fees (Year 1)	Sales/Use Tax Purchase - One Time	Sales/Use Tax Sale for Resale - Annual
AZ 91	\$130,005	\$1,456,000	\$174,720
CA 91	\$278,200	\$1,885,000	\$226,200
FL 91		\$1,560,000	\$187,200
IL 91	\$10	\$1,625,000	\$1,625,000
IA 91	\$5,000	\$1,560,000	\$187,200
MI 91	\$482	\$1,560,000	\$187,200
MN 91	\$260,000	\$1,690,000	\$202,800
MT 91	\$3,000		
NY 91		\$1,040,000	\$1,040,000
ND 91	\$1,500	\$1,300,000	\$156,000
PA 91		\$1,560,000	\$187,200
SD 91	\$300	\$1,040,000	\$124,800
TX 91	\$325,000	\$1,625,000	\$195,000
WI 91	\$2,500	\$1,300,000	\$156,000



Challenger 604

	Reg Fees, PPT & Other Fees	Sales/Use Tax Purchase - One Time	Sales/Use Tax Sale for Resale - Annual
AZ 135	\$130,005	\$1,456,000	\$174,720
CA 135	\$278,200		
FL 135	\$0	\$1,560,000	\$187,200
IL 135	\$10		
IA 135	\$5,000	\$1,560,000	\$187,200
MI 135	\$482		
MN 135	\$260,000	\$1,690,000	\$202,800
MT 135	\$3,000		
NY 135			
ND 135	\$1,500	\$1,300,000	\$156,000
PA 135		\$1,560,000	\$187,200
SD 135	\$300	\$1,040,000	\$124,800
TX 135	\$150,000		
WI 135	\$2,500		



	Reg Fee, PPT or Other
AZ	\$130,005
CA	\$278,200
FL	\$0
IL	\$10
IA	\$5,000
MI	\$482
MN	\$260,000
MT	\$3,000
NY	\$0
ND	\$1,500
PA	\$0
SD	\$300
TX	\$325,000
WI	\$2,500

