



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Taxable Transactions by Aircraft Dealers

The following examples illustrate tax liability of aircraft dealers. All aircraft listed are held by a taxpayer for resale and are ultimately sold at retail.

1. Plane A, purchased new, and used for demonstration purposes.
2. Plane B, purchased new, and used occasionally for non-scheduled air taxi services.
3. Plane C, purchased used and resold without being put to use.
4. Plane D, purchased new, and leased to another company.
5. Plane E, purchased new, and occasionally used for student training purposes.

Plane A is subject to Use Tax from time of first use upon its full value, if retail sales tax was not paid at time of purchase. In addition, upon sale of the plane, retail sales tax must be collected on the full selling price and retailing business and occupation (B&O) tax reported. The use tax modification (see excise tax advisory 3044.2009) applies only when the aircraft is used for charter flights or training programs. All planes purchased in the calendar year and used as demonstrators are subject to use tax.

Plane B, used for air taxi service, is subject to use tax at time of first use, if retail sales tax was not paid at time of purchase. Retail sales tax must be collected when the aircraft is sold. Income from the air taxi service is taxable under the "other public service business" public utility tax classification.

Neither retail sales nor use tax is due from the taxpayer based on the purchase of Plane C. Retail sales tax must be collected when taxpayer sells Plane C. The gross proceeds of this sale are subject to the B&O tax under the "retailing" classification.

Plane D. Retail sales tax is to be collected on monthly lease rental payments. "Retailing" B&O tax is due on such gross proceeds. The one exception would be that portion of bare rental income which an

All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.

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aircraft dealer can factually establish to be attributable to out-of-state use by the lessee. The dealer is permitted to deduct amounts attributable to such out-of-state use from the measure of the retail sales tax and B&O tax liability, but only where evidence, such as a flight log, is available for examination.

Because Plane E is used for student training, use tax is due from time of first use and when the plane is sold retail sales tax and "retailing" B&O tax is due on the sale. However, subsequent purchases of aircraft during the calendar year which are used similarly are not subject to further use tax. (See Excise Tax Advisory 3044.2009.)