

Excise Tax Advisory

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Use Tax Modification to Aircraft Dealers

What is the use tax liability of an aircraft dealer upon aircraft acquired and held in stock for resale and also used for charter flights or student training programs?

A transaction is taxed as a "lease or rental" where the agreement grants to another the right of possession to and use of a bare (without pilot) aircraft for a consideration. In case of outright sale, lease, or rental, where an aircraft is held exclusively for these purposes the dealer incurs no liability for this state's use tax. Taxable "use" includes, for example, demonstration, student flight training, charter flights and air taxi services.

Where an aircraft is held for "sale" and is "used" prior to sale, the use tax is due on the full value and, in addition, the retail sales tax and business and occupation tax are due when the sale occurs. However, a modification of the above use tax liability is currently allowed when an aircraft dealer uses aircraft held for sale for charter flights or in student training programs. In this situation, use tax liability will be measured by the average cost of all aircraft acquired by the dealer and actually used for charter flights or student training use each calendar year. This special application is not applicable to aircraft used in other ways by the owner.

Use tax is measured by the aircraft's value in accordance with RCW 82.12.010(2) and when the aircraft is ultimately sold, the dealer must also collect from the purchaser and report to the state the retail sales tax on the total selling price, RCW 82.08.010(1). (See excise tax advisory 3056.2009 *Taxability of air transportation and other activities performed with aircraft* for a discussion of air taxi and charter flights.)

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