



# Tax on Aircraft

## Informational Bulletin

October 2004

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Director of Revenue

### For information or forms...

- ◆ Call us at:  
1 800 732-8866 or  
217 782-3336
- ◆ Call our TDD  
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1 800 544-5304
- ◆ Write us at:  
Illinois Department of Revenue  
P.O. Box 19044  
Springfield, IL 62794-9044
- ◆ Visit our Web site at:  
[www.ILtax.com](http://www.ILtax.com)
- ◆ Call  
our 24-hour  
Forms Order Line at:  
1 800 356-6302

### To:

- 1 Individuals, businesses, or other entities acquiring aircraft through gift, donation, transfer, or non-retail purchase
- 2 All aircraft lessors

***This bulletin supersedes Informational Bulletin FY 2004-06.***

Effective **July 1, 2003**, the acquisition of aircraft by gift, donation, transfer, or non-retail purchase is a taxable transaction if the aircraft will be used in Illinois.

**Note:** For the purposes of this bulletin, the term "non-retail purchase" means a purchase from a person or business that is not in the business of selling aircraft at retail.

Generally, two groups are affected by these changes —

- ◆ **individuals, businesses, and other entities** using an aircraft in Illinois that was acquired by gift, donation, transfer, or non-retail purchase; and
- ◆ **lessors** engaged in the business of leasing or renting aircraft and who sell a used aircraft in connection with that business to a purchaser who will use the aircraft for his or her own use.

**Individuals, businesses, and other entities** should read the section in this bulletin titled, "Aircraft Use Tax."

**Lessors** should read the section in this bulletin titled, "Sales of Aircraft by Lessors."

### How is "aircraft" defined?

For the purposes of this bulletin, the term "aircraft" includes airplanes, helicopters, hot-air balloons, ultra lights, gliders, blimps, dirigibles, sea-planes, and anything else defined as aircraft in Section 3 of the Illinois Aeronautics Act.

## Aircraft Use Tax

You must pay Aircraft Use Tax if you use an aircraft in Illinois that was acquired by gift, donation, transfer, or non-retail purchase.

### On what amount must Aircraft Use Tax be paid?

You must pay Aircraft Use Tax on either the aircraft's purchase price or fair market value.

- ◆ If you acquire the aircraft by purchase from a person or business that is not in the business of selling aircraft at retail, you must pay tax on the aircraft's purchase price. If the aircraft's purchase price is less than the fair market value, you must pay tax on the aircraft's fair market value on the date acquired or the date brought into Illinois, whichever is later.
- ◆ If you acquire the aircraft by gift, donation or transfer, you must pay tax on the aircraft's fair market value on the date acquired or the date brought into Illinois, whichever is later.

If you acquired and used the aircraft outside Illinois before you brought it into Illinois, you will receive a credit for tax properly due and paid to another state.

**Note:** You may not receive credit for any aircraft that you used as a trade-in.

### What is the tax rate?

The tax rate is 6.25 percent of the purchase price or fair market value, whichever is greater.

**How do I report the tax?**

You must file Form RUT-75, Aircraft Use Tax Return, no later than 30 days from the acquisition date or the date the aircraft is brought into Illinois, whichever is later.

**Note:** You must submit proof of tax payment or proof of exemption before your aircraft registration will be issued by the Illinois Department of Transportation - Division of Aeronautics.

**Are any transactions exempt from tax?**

Certain transactions are exempt under the Aircraft Use Tax Act. These transactions are listed below.

- ◆ The use of the aircraft in Illinois is already taxed under the Illinois Use Tax Act. For example, the aircraft is purchased from an out-of-state retailer. This type of transaction is taxed and reported on Form RUT-25, Use Tax Transaction Return.
- ◆ The aircraft is acquired by a governmental agency or a society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes that has been issued an active exemption number by the Illinois Department of Revenue.
- ◆ The aircraft is acquired by an interstate carrier for hire for use as rolling stock to transport persons or commodities in interstate commerce.
- ◆ The aircraft is a gift to a beneficiary in an estate and the beneficiary is the surviving spouse.
- ◆ The temporary storage of an aircraft that was acquired outside of Illinois and after being brought into Illinois and stored temporarily, is used solely outside Illinois.
- ◆ The aircraft is used primarily in production agriculture and qualifies for the farm machinery and equipment exemption.

**What happens if I do not pay the tax or I pay late?**

You owe a **late filing penalty** if you do not file a processable return by the due date, a **late payment penalty** if you do not pay the amount you owe by the original due date of the return, a **bad check penalty** if your remittance is not honored by your financial institution, and a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on an assessment. We will bill you for any amounts owed. For more information, see Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, call 1 800 356-6302.

**Sales of Aircraft by Lessors**

Effective July 1, 2003, you are considered a retailer under the Retailers' Occupation Tax Act if you are engaged in the business of leasing or renting aircraft and you sell a used aircraft in connection with your business to a purchaser who will use the aircraft for his or her own use.

**On what amount must tax be paid?**

When you sell an aircraft, you must pay sales tax on the aircraft's selling price, minus any trade-in credit.

**What is the tax rate?**

Generally, the tax rate is 6.25 percent. Your rate may be higher if units of local government have imposed taxes. Booklet ST-25, Sales Tax Rate Reference Manual, lists all tax rates for each tax location in Illinois. We update this manual in January and July of each year. You may view this document on our web site.

**How do I report the tax?**

You must file Form ST-556, Sales Tax Transaction Return, 20 days after the date the aircraft is delivered. Contact our Central Registration Division to properly register as a retailer of aircraft and obtain the necessary ST-556 forms.

**Note:** The aircraft **cannot** be registered with the Illinois Department of Transportation, Division of Aeronautics, until tax is paid or proof that the transaction is exempt from taxation is submitted.

**Are any transactions exempt from tax?**

Any transaction currently exempt under the Retailers' Occupation Tax Act is an exempt transaction. You must be able to document the exempt sale. For more information see the instructions for Form ST-556, or Booklet ST-9, A Guide for Reporting Sales Using Form ST-556, Sales Tax Transaction Return.

**What happens if I do not pay the tax or I pay late?**

You owe a **late filing penalty** if you do not file a processable return by the due date, a **late payment penalty** if you do not pay the amount you owe by the original due date of the return, a **bad check penalty** if your remittance is not honored by your financial institution, and a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on an assessment. We will bill you for any amounts owed. For more information, see Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, call 1 800 356-6302.

**Questions?**

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed on the front left side of this bulletin.