

ST 14-0030-GIL 05/05/2014 USE TAX

For watercraft or aircraft, if the period of demonstration use or interim use by the retailer exceeds 18 months, the retailer shall pay Use Tax on the original cost price of the aircraft or watercraft, and no credit for that tax is permitted if the aircraft or watercraft is subsequently sold by the retailer. See 86 Ill. Adm. Code 150.306. (This is a GIL.)

May 5, 2014

Dear Xxxx:

This letter is in response to your letter dated January 3, 2014, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings (“PLRs”) are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

In your letter you have stated and made inquiry as follows:

COMPANY (the “Taxpayer”) is registered with the Federal Aviation Administration and the Illinois Department of Revenue (“DOR”) as a dealer of aircraft. In the ordinary course of the Taxpayer’s business, the Taxpayer on 14 April 2011 acquired a AIRPLANE aircraft bearing manufacture’s serial number ### (the “Aircraft”) for the purpose of offering the Aircraft for sale (see Attachment A – copy of RUT-60 indicating the Taxpayer’s acceptance of the Aircraft as trade-in).

On 25 October 2012, because the Taxpayer had not successfully sold the Aircraft, the Taxpayer entered into an exclusive lease arrangement for the use of the Aircraft (the “Lease”), and delivered possession of the Aircraft to its lessee in STATE. Possession of the Aircraft, since the Lease commenced, has remained with the Taxpayer’s lessee for the purpose of the lessee’s use of (and not for inducing the lessee to purchase) the Aircraft.

As the result of the Lease, the Taxpayer seeks DOR’s guidance (either in the form of a Private Letter Ruling or, as determined by DOR, a General Information Letter) to confirm the Taxpayer’s position that the answer to the following two (2) questions is, yes:

- Does the leasing of the Aircraft by the Taxpayer extinguish the 18-month period of demonstration use or interim use under Illinois Administrative Code 86 § 150.306(c), such that the Taxpayer will not owe use tax on the purchase of the Aircraft 18-month following the Taxpayer’s date of original purchase of the Aircraft?

- When the Lease is terminated and the Aircraft is redelivered to the Taxpayer, will a “new” 18-month period of demonstration use or interim use under Illinois Administrative Code 86 § 150.306(c) commence, such that the Taxpayer will have 18-month from the date of such redelivery to dispose of the Aircraft before the Taxpayer would be require to remit use tax on the Taxpayer original purchase price of the Aircraft?

To the best knowledge of the Taxpayer and the Taxpayer’s representative DOR has not previously ruled on this or a similar issue for the Taxpayer or a predecessor, and neither the Taxpayer nor the Taxpayer’s representative have previously submitted the same or similar issue to DOR.

The Taxpayer and the Taxpayer’s representative are not aware of any prior DOR guidance that specifically applies to the Taxpayer’s facts, but believes the positions described in DOR’s 02-0073-GIL generally supports the Taxpayer’s position that the answer to both question should be, in the affirmative (see Attachment B).

Additionally, the Taxpayer and the Taxpayer’s representative are not aware any authorities that are contrary to the Taxpayer’s view.

Should DOR require additional information to respond to this request, please do not hesitate to contact the Taxpayer’s representative noted above.

**DEPARTMENT’S RESPONSE:**

Please consult the Department’s regulations on the interim and demonstration use exemption at 86 Ill. Adm. Code 150.306.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Cara Bishop  
Associate Counsel

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