

**STATE BOARD OF EQUALIZATION**

450 N STREET, SACRAMENTO, CALIFORNIA  
(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)  
TELEPHONE: (916) 327-2291  
FAX : (916) 324-2586

JOHAN KLEHS  
First District, Hayward

DEAN F. ANDAL  
Second District, Stockton

ERNEST J. DRONENBURG, JR.  
Third District, San Diego

KATHLEEN CONNELL  
Controller, Sacramento

JOHN CHIANG  
Acting Member  
Fourth District, Los Angeles

E. L. SORENSEN, JR.  
Executive Director

June 30, 1997

Mr. W. G. W---  
T--- P--- R---  
XXX --- Street  
--- ---, CA XXXXX

**Re: *Light Aircraft Manufactured from Kits***  
***T--- P--- R---, Permit No. SR ---A XX-XXXXXX***

Dear Mr. W---:

This is in response to your letter of May 15, 1997 in which you ask a follow-up question relative to your original inquiry of March 11, 1997.

In our original response of April 30, 1997, we explained that sales tax will not apply to your purchase of a light aircraft manufacturing kit **if** the sole purpose of acquiring the kit is to assemble the aircraft and hold it for resale. We further explained that the subsequent sale of the aircraft would be subject to sales and use tax measured by the purchase price of the aircraft. In your most recent inquiry you express your concern that since there is a limited market for experimental aircraft, such as the light aircraft, it may take longer to resell this aircraft than it would take for the resale of traditional certified aircraft. You inquire whether:

“there is a time limitation or restriction affecting the use tax liability placed upon the builder-for-resale with respect to sale from date of kit purchase, or sale from date of completion and registration?”

There are no time limits for a subsequent resale of this aircraft which would trigger a use tax liability against Taurus. As was explained to you in our response of April 30, 1997, use tax will not apply to Taurus' purchase of the manufacturing kit **so long as** Taurus makes no intervening use of the aircraft, other than testing, demonstration or display, prior to the time that the aircraft is sold. Subdivision (a) of Regulation 1669, copy enclosed for your review, explains the general rule that:

“A purchaser of tangible personal property who gives a resale certificate therefor, and who uses the property solely for demonstration or display while holding it for sale in the regular course of business, is not required to pay tax on account of such use. Except as otherwise provided in this regulation, if the property is used for any purpose other than or in addition to demonstration or display, such as making deliveries, personal use of employees, etc., the purchaser must include in the measure of the tax reported the purchase price of the property. Tax applies to the subsequent retail sale of the property.”

In the case of aircraft dealers, Regulation 1669(f)(1)(C) explains that the use of aircraft withdrawn from inventory for either flight instruction, personal use or business use is subject to tax. As explained in Regulation 1669(f)(1)(B), under these circumstances where a use is made, other than demonstration or display, while the aircraft is held for sale, the “other” use, such as flight instruction, will be subject to use tax measured by the fair rental value of the property for the period of such uses.

We hope that the foregoing has addressed your concerns. If you have any further questions please feel free to contact this office again.

Sincerely,

Patricia Hart Jorgensen  
Senior Tax Counsel

PHJ:rz

Enclosure: Regulation 1669

cc: Oakland District Administrator (CH)